



uMdoni Municipality  
(Registration number KZN 212)  
Annual Financial Statements  
for the year ended June 30, 2017

# uMdoni Municipality

Annual Financial Statements for the year ended June 30, 2017

## General Information

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### Nature of business and principal activities

Local Municipality

### Mayoral committee

Executive Mayor

Cllr WT Dube ( Mayor )

Cllr ST Khathi ( Deputy Mayor )

Cllr NP Mpanza (Speaker )

Cllr BC Mngadi (EXCO Member )

Cllr EV Baptie ( EXCO Member )

Cllr S Mzelemu ( EXCO Member )

Councillors

Cllr R Brijraj ( MPAC Chair )

Cllr KK Armugam

Cllr M Ally

Cllr RB Bhoola

Cllr SH Cele

Cllr LR Dlamini

Cllr JJ East

Cllr DP Gambushe

Cllr JNE Gwala

Cllr ZT Hlongwa

Cllr DMM Hlengwa

Cllr NY Khabela

Cllr SSI Khwela

Cllr DS Luthuli

Cllr BO Mbhele

Cllr HDT Mtambo

Cllr LN Myende

Cllr MC Ngcobo

Cllr J Ndlela

Cllr FM Ngwane

Cllr PN Nombika

Cllr WP Pienaar

Cllr BB Sosibo

Cllr SC Shange

Cllr S Singh

Cllr S Sookhraj

Cllr SD Mdluli

Cllr MA Khan

Refer to note 25 for Councillors engagement dates

### Grading of local authority

3

### Chief Finance Officer (CFO)

Ms T Mhlongo

### Accounting Officer

Mrs L. Shange

### Registered office

Cnr Bram Fischer and Williamson Streets  
Scottburgh  
[www.umdoni.gov.za](http://www.umdoni.gov.za)  
4180

### Business address

Cnr Bram Fischer and Williamson Streets  
Scottburgh  
4180

# **uMdoni Municipality**

Annual Financial Statements for the year ended June 30, 2017

## **General Information**

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**Postal address**

P O Box 19  
Scottburgh  
4180

**Bankers**

Standard Bank

**Auditors**

Auditor General of South Africa

# uMdoni Municipality

Annual Financial Statements for the year ended June 30, 2017

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COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

## **Accounting Officer's Responsibilities and Approval**

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The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

I also certify that salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office as disclosed in the Annual Financial Statements below are within the upper limits of the framework envisaged in Section 219 of the Constitution, read in conjunction with the Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act. Going concern principles

The accounting officer has reviewed the municipality's cash flow forecast for the year to June 30, 2018 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements set out on pages 4 to 76, which have been prepared on the going concern basis, were approved by the accounting officer on August 31, 2017 and were signed on its behalf by:

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**Mrs L. Shange**  
**Acting Municipal Manager**

# uMdoni Municipality

Annual Financial Statements for the year ended June 30, 2017

## Statement of Financial Position as at June 30, 2017

	Note(s)	2017 R	2016 R
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	3	205,732,540	123,676,106
Receivable from Non-Exchange transactions	4	44,226,972	32,859,770
Receivables from exchange transactions	5	5,147,168	5,126,493
VAT receivable	6	10,694,940	4,369,793
Operating lease asset	7	415,902	401,257
		<b>266,217,522</b>	<b>166,433,419</b>
<b>Non-Current Assets</b>			
Investment property	8	26,486,746	25,662,731
Property, plant and equipment	9	710,807,558	518,705,368
Intangible assets	10	986,816	53,170
Heritage assets	11	261,011	261,011
		<b>738,542,131</b>	<b>544,682,280</b>
<b>Total Assets</b>		<b>1,004,759,653</b>	<b>711,115,699</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Payables from exchange transactions	12	73,987,767	59,083,575
Employee benefit obligation	13	969,880	883,957
Unspent conditional grants and receipts	15	21,209,566	511,048
Finance lease obligation	16	1,656,748	1,265,868
		<b>97,823,961</b>	<b>61,744,448</b>
<b>Non-Current Liabilities</b>			
Employee benefit obligation	13	17,920,133	17,343,431
Provisions	14	12,263,574	9,635,843
Finance lease obligation	16	2,589,060	3,703,817
		<b>32,772,767</b>	<b>30,683,091</b>
<b>Total Liabilities</b>		<b>130,596,728</b>	<b>92,427,539</b>
<b>Net Assets</b>		<b>874,162,925</b>	<b>618,688,160</b>
Accumulated surplus	17	874,162,925	618,688,152

# uMdoni Municipality

Annual Financial Statements for the year ended June 30, 2017

## Statement of Financial Performance

	Note(s)	2017 R	2016 R
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	18	8,553,561	8,136,481
Rental of facilities and equipment	19	5,244,843	4,665,342
Other income	20	4,687,168	8,742,308
Interest received - investment	21	12,149,774	7,220,470
<b>Total revenue from exchange transactions</b>		<b>30,635,346</b>	<b>28,764,601</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	22	73,511,975	69,360,001
Property rates - penalties imposed	22	3,003,186	2,404,536
Licences or Permits (Non-exchange)		8,097,732	7,052,326
Gain from transfer of function		177,097,724	-
<b>Transfer revenue</b>			
Government grants & subsidies	23	208,044,011	112,391,433
Fines, Penalties and Forfeits		1,027,715	366,718
<b>Total revenue from non-exchange transactions</b>		<b>470,782,343</b>	<b>191,575,014</b>
<b>Total revenue</b>	24	<b>501,417,689</b>	<b>220,339,615</b>
<b>Expenditure</b>			
Employee related costs	25	(73,271,794)	(62,914,913)
Remuneration of councillors	26	(11,622,152)	(6,474,700)
Contributions to Provisions and Accruals	27	(7,310,288)	(6,925,413)
Depreciation and amortisation	28	(36,170,887)	(30,451,989)
Impairment loss/ Reversal of impairments	46	(28,694)	(1,248,964)
Finance costs	29	(479,131)	(505,465)
Lease rentals on operating lease		(1,032,766)	(825,202)
Debt Impairment	30	(892,799)	(1,925,155)
Repairs and maintenance		(20,441,816)	(9,854,623)
Contracted services	31	(26,093,885)	(18,088,616)
General Expenses	32	(67,725,188)	(39,826,950)
<b>Total expenditure</b>		<b>(245,069,400)</b>	<b>(179,041,990)</b>
<b>Operating surplus</b>		<b>256,348,289</b>	<b>41,297,625</b>
Loss on disposal of assets and liabilities	33	(1,325,643)	(295,996)
<b>Surplus for the year</b>		<b>255,022,646</b>	<b>41,001,629</b>

## uMdoni Municipality

Annual Financial Statements for the year ended June 30, 2017

### Statement of Changes in Net Assets

	Accumulated surplus R	Total net assets R
<b>Balance at July 1, 2015</b>	<b>577,686,523</b>	<b>577,686,523</b>
Changes in net assets		
Surplus for the year	41,001,629	41,001,629
Total changes	41,001,629	41,001,629
Opening balance as previously reported	615,216,068	615,216,068
Adjustments		
Correction of errors - Note 48	3,473,924	3,473,924
<b>Balance at July 1, 2016 as restated*</b>	<b>618,689,992</b>	<b>618,689,992</b>
Changes in net assets		
Surplus for the year	255,022,646	255,022,646
Housing development (note 17)	450,287	450,287
Total changes	255,472,933	255,472,933
<b>Balance at June 30, 2017</b>	<b>874,162,925</b>	<b>874,162,925</b>
Note(s)		



# uMdoni Municipality

Annual Financial Statements for the year ended June 30, 2017

## Cash Flow Statement

	Note(s)	2017 R	2016 R
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Taxation		84,612,893	79,183,582
Sale of goods and services		8,553,561	8,136,481
Grants		228,742,529	112,391,433
Interest income		12,149,774	7,220,470
Other receipts		167,131,527	9,933,730
		<u>501,190,284</u>	<u>216,865,696</u>
<b>Payments</b>			
Employee costs		(84,951,572)	(69,398,613)
Suppliers		(101,803,118)	(74,661,470)
Finance costs		(479,131)	(505,465)
		<u>(187,233,821)</u>	<u>(144,565,548)</u>
<b>Net cash flows from operating activities</b>	44	<b><u>313,956,463</u></b>	<b><u>72,300,148</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	9	(70,730,962)	(57,664,630)
Proceeds from sale of property, plant and equipment	9	-	800,103
Proceeds from sale of other intangible assets	10	-	7,365
Transfer of functions between entities not under common control	47	(160,445,190)	-
Proceeds from sale of financial assets		-	(295,996)
Movements in Investments		-	(535,454)
		<u>(231,176,152)</u>	<u>(57,688,612)</u>
<b>Net cash flows from investing activities</b>		<b><u>(231,176,152)</u></b>	<b><u>(57,688,612)</u></b>
<b>Cash flows from financing activities</b>			
Finance lease payments		<u>(723,877)</u>	<u>(1,286,366)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>82,056,434</b>	<b>13,325,170</b>
Cash and cash equivalents at the beginning of the year		123,676,106	110,350,936
<b>Cash and cash equivalents at the end of the year</b>	3	<b><u>205,732,540</u></b>	<b><u>123,676,106</u></b>

# uMdoni Municipality

Annual Financial Statements for the year ended June 30, 2017

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual R	Reference
	R	R	R	R	R	
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges	8,662,500	-	<b>8,662,500</b>	8,553,561	<b>(108,939)</b>	
Rental of facilities and equipment	4,944,000	(95,372)	<b>4,848,628</b>	5,244,843	<b>396,215</b>	
Other income - (rollup)	5,704,038	20,702,082	<b>26,406,120</b>	4,687,168	<b>(21,718,952)</b>	
Interest received - investment	7,500,000	4,000,000	<b>11,500,000</b>	12,149,774	<b>649,774</b>	
<b>Total revenue from exchange transactions</b>	<b>26,810,538</b>	<b>24,606,710</b>	<b>51,417,248</b>	<b>30,635,346</b>	<b>(20,781,902)</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b>						
Property rates	70,681,982	3,798,258	<b>74,480,240</b>	73,511,975	<b>(968,265)</b>	
Property rates - penalties imposed	1,400,000	600,000	<b>2,000,000</b>	3,003,186	<b>1,003,186</b>	48.11
Licences or Permits (Non-exchange)	6,805,000	635,100	<b>7,440,100</b>	8,097,732	<b>657,632</b>	
Gain from transfer of function	-	-	-	177,097,724	<b>177,097,724</b>	
<b>Transfer revenue</b>						
Government grants & subsidies	109,353,930	117,593,943	<b>226,947,873</b>	208,044,011	<b>(18,903,862)</b>	48.10
Fines, Penalties and Forfeits	1,520,000	187,182	<b>1,707,182</b>	1,027,715	<b>(679,467)</b>	
<b>Total revenue from non-exchange transactions</b>	<b>189,760,912</b>	<b>122,814,483</b>	<b>312,575,395</b>	<b>470,782,343</b>	<b>158,206,948</b>	
<b>Total revenue</b>	<b>216,571,450</b>	<b>147,421,193</b>	<b>363,992,643</b>	<b>501,417,689</b>	<b>137,425,046</b>	
<b>Expenditure</b>						
Personnel	(69,413,529)	(8,299,479)	<b>(77,713,008)</b>	(73,271,794)	<b>4,441,214</b>	48.1
Remuneration of councillors	(7,330,632)	(4,679,551)	<b>(12,010,183)</b>	(11,622,152)	<b>388,031</b>	48.2
Contributions to Provision	(17,916,900)	(3,699,502)	<b>(21,616,402)</b>	(7,310,288)	<b>14,306,114</b>	48.3
Depreciation and amortisation	(29,381,276)	(5,618,724)	<b>(35,000,000)</b>	(36,170,887)	<b>(1,170,887)</b>	48.4
Impairment loss/ Reversal of impairments	(500,000)	100,000	<b>(400,000)</b>	(28,694)	<b>371,306</b>	48.5
Finance costs	(392,000)	(8,000)	<b>(400,000)</b>	(479,131)	<b>(79,131)</b>	48.6
Lease rentals on operating lease	(982,000)	(32,000)	<b>(1,014,000)</b>	(1,032,766)	<b>(18,766)</b>	48.7
Debt Impairment	(1,500,000)	-	<b>(1,500,000)</b>	(892,799)	<b>607,201</b>	
Repairs and maintenance	(11,823,100)	(1,369,879)	<b>(13,192,979)</b>	(20,441,816)	<b>(7,248,837)</b>	48.8
Contracted Services	(22,872,160)	(1,064,000)	<b>(23,936,160)</b>	(26,093,885)	<b>(2,157,725)</b>	48.9
General Expenses	(54,458,853)	(13,108,821)	<b>(67,567,674)</b>	(67,725,188)	<b>(157,514)</b>	
<b>Total expenditure</b>	<b>(216,570,450)</b>	<b>(37,779,956)</b>	<b>(254,350,406)</b>	<b>(245,069,400)</b>	<b>9,281,006</b>	
<b>Operating surplus</b>	<b>1,000</b>	<b>109,641,237</b>	<b>109,642,237</b>	<b>256,348,289</b>	<b>146,706,052</b>	
Loss on disposal of assets and liabilities	-	-	-	(1,325,643)	<b>(1,325,643)</b>	
<b>Surplus before taxation</b>	<b>1,000</b>	<b>109,641,237</b>	<b>109,642,237</b>	<b>255,022,646</b>	<b>145,380,409</b>	

## uMdoni Municipality

Annual Financial Statements for the year ended June 30, 2017

### Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual R	Reference
	R	R	R	R		
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>1,000</b>	<b>109,641,237</b>	<b>109,642,237</b>	<b>255,022,646</b>	<b>145,380,409</b>	

# uMdoni Municipality

Annual Financial Statements for the year ended June 30, 2017

## Appropriation Statement

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
	R	R	R	R	R	R	R	R	R	R	R
<b>2017</b>											
<b>Financial Performance</b>											
Property rates	72,081,982	4,398,258	76,480,240	-		76,480,240	76,515,161		34,921	100 %	106 %
Service charges	8,662,500	-	8,662,500	-		8,662,500	8,553,561		(108,939)	99 %	99 %
Investment revenue	7,500,000	4,000,000	11,500,000	-		11,500,000	12,149,774		649,774	106 %	162 %
Transfers recognised - operational	109,353,930	7,951,707	117,305,637	-		117,305,637	138,872,529		21,566,892	118 %	127 %
Other own revenue	18,973,038	21,428,992	40,402,030	-		40,402,030	194,595,702		154,193,672	482 %	1,026 %
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>216,571,450</b>	<b>37,778,957</b>	<b>254,350,407</b>	<b>-</b>		<b>254,350,407</b>	<b>430,686,727</b>		<b>176,336,320</b>	<b>169 %</b>	<b>199 %</b>
Employee costs	(69,413,529)	(8,299,479)	(77,713,008)	-	-	(77,713,008)	(73,271,794)	-	4,441,214	94 %	106 %
Remuneration of councillors	(7,330,632)	(4,679,551)	(12,010,183)	-	-	(12,010,183)	(11,622,152)	-	388,031	97 %	159 %
Debt impairment	(1,500,000)	-	(1,500,000)			(1,500,000)	(892,799)	-	607,201	60 %	60 %
Depreciation and asset impairment	(29,881,276)	(5,518,724)	(35,400,000)			(35,400,000)	(36,199,581)	-	(799,581)	102 %	121 %
Finance charges	(392,000)	(8,000)	(400,000)	-	-	(400,000)	(479,131)	-	(79,131)	120 %	122 %
Transfers and grants	(4,674,000)	900,000	(3,774,000)	-	-	(3,774,000)	(412,919)	-	3,361,081	11 %	9 %
Other expenditure	(103,379,013)	(20,174,202)	(123,553,215)	-	-	(123,553,215)	(123,900,765)	-	(347,550)	100 %	120 %
<b>Total expenditure</b>	<b>(216,570,450)</b>	<b>(37,779,956)</b>	<b>(254,350,406)</b>	<b>-</b>	<b>-</b>	<b>(254,350,406)</b>	<b>(246,779,141)</b>	<b>-</b>	<b>7,571,265</b>	<b>97 %</b>	<b>114 %</b>
<b>Surplus/(Deficit)</b>	<b>1,000</b>	<b>(999)</b>	<b>1</b>	<b>-</b>		<b>1</b>	<b>183,907,586</b>		<b>183,907,585</b>	<b>758,600 %</b>	<b>390,759 %</b>

# uMdoni Municipality

Annual Financial Statements for the year ended June 30, 2017

## Appropriation Statement

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
	R	R	R	R	R	R	R	R	R	R	R
Transfers recognised - capital	-	109,642,237	109,642,237	-		109,642,237	70,730,962		(38,911,275)	65 %	DIV/0 %
<b>Surplus (Deficit) after capital transfers and contributions</b>	<b>1,000</b>	<b>109,641,238</b>	<b>109,642,238</b>	<b>-</b>		<b>109,642,238</b>	<b>254,638,548</b>		<b>144,996,310</b>	<b>232 %</b>	<b>463,855 %</b>
<b>Surplus/(Deficit) for the year</b>	<b>1,000</b>	<b>109,641,238</b>	<b>109,642,238</b>	<b>-</b>		<b>109,642,238</b>	<b>254,638,548</b>		<b>144,996,310</b>	<b>232 %</b>	<b>463,855 %</b>

# **uMdoni Municipality**

Annual Financial Statements for the year ended June 30, 2017

## **Accounting Policies**

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### **1. Presentation of Annual Financial Statements**

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

### **Changes in Accounting Policy and Comparability**

Accounting policies have been consistency applied , except where otherwise indicated below.

For the year ended 30 June 2017 the municipality has adopted the accounting framework as set out below except as excluded by the applicable directives . The details of any resulting changes in the accounting policy and comparative restatements.

The municipality changes an accounting policy only if the change :

- (a) Is required by a standard of GRAP or
- (b) Results in the financial statements providing reliable and more relevant information about the effects of transactions , other events or conditions on the performance or cash flow .

# uMdoni Municipality

Annual Financial Statements for the year ended June 30, 2017

## Accounting Policies

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The following GRAP standards have been approved and effective to the municipality :

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies , Changes in Accounting Estimates and Errors
GRAP 4	The effects of Changes in Foreign Exchange Rates
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investments in Associates
GRAP 8	Interest in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial Reporting in Hyperinflationary Economies
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events After Reporting Date
GRAP 16	Investment Property
GRAP 17	Property Plant and Equipment
GRAP 18	Segment Reporting
GRAP 19	Provisions , Contingent Liabilities and Contingent Assets
GRAP 21	Impairment of Non - Cash generating Assets
GRAP 23	Revenue from Non- Exchange Transactions (Taxes and Transfers )
GRAP 24	Presentation of Budget Information in Financial Statements
GRAP 25	Employee Benefits
GRAP 26	Impairment of Cash- Generating Assets
GRAP 27	Agriculture
GRAP 31	Intangible Assets
GRAP 100	Discounted Operations
GRAP 103	Heritage Assets
GRAP 104	Financial Instruments
GRAP 105	Transfer of Functions Between Entities Under Common Control
GRAP 106	Transfer of Function Between Entities Not Under common Control
GRAP 107	Mergers

### STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been adopted early by the municipality:

GRAP 20	Related Party Disclosures
GRAP 32	Service Concession Arrangements: Grantor
GRAP 34	Separate Financial Statements
GRAP 35	Consolidated Financial Statements
GRAP 36	Investments in Associates and Joint Ventures
GRAP 37	Joint Arrangements
GRAP 38	Disclosure of Interests in Other Entities
GRAP 108	Statutory Receivables
GRAP 109	Accounting by Principals and Agents
GRAP 110	Living and Non-living Resources

Impact on the municipality's financial statements once implemented:

None of these standards and interpretations are anticipated to have a material impact on the municipality's financial statements.

Management has considered all of the foregoing GRAP standards issued but not yet effective and effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

# **uMdoni Municipality**

Annual Financial Statements for the year ended June 30, 2017

## **Accounting Policies**

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### **1.1 Significant judgements and sources of estimation uncertainty**

The following are the critical judgements, apart from those involving estimations, that the management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

#### **Revenue recognition**

Accounting Policy 1.13 on Revenue from Exchange Transactions and Accounting Policy 1.14 on Revenue from Non-exchange Transactions describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgment, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions (see Basis of Preparation above). In particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

#### **Financial Assets and Liabilities**

The classification of financial assets and liabilities, into categories, is based on judgment by management. Accounting Policy 1.9 on Financial Assets Classification and Accounting Policy 1.9 on Financial Liabilities Classification describe the factors and criteria considered by the management of the municipality in the classification of financial assets and liabilities..

#### **Impairment : Write down of Property Plant and Equipment and Inventories**

Accounting Policy 1.9 on Impairment of Financial Assets describes the process followed to determine the value by which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in GRAP 104: Financial Instruments and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that the impairment of financial assets recorded during the year is appropriate .

#### **Useful lives of property, plant and equipment**

As described in Accounting Policy 1.5 , the municipality depreciates over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives and residual values of the assets are based on industry knowledge.

#### **Defined benefit plan liabilities**

As described in Accounting Policy 1.20, the municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in Notes 13 and 27 to the Annual Financial Statements.

### **1.2 Presentation currency**

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality. All the amounts are rounded off to the nearest rand .

### **1.3 Going concern assumption**

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

### **1.4 Housing development fund**

Sections 15(5) and 16 of the Housing Act, (Act No. 107 of 1997), which came into operation on 1 April 1998, required that the Entity maintain a separate housing operating account. This legislated separate operating account is known as the Housing Development Fund.



# **uMdoni Municipality**

Annual Financial Statements for the year ended June 30, 2017

## **Accounting Policies**

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### **1.4 Housing development fund (continued)**

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from National and Provincial Government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to the Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund.

In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area.

### **1.5 Property, plant and equipment**

#### **Initial Recognition**

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

#### **Subsequent Measurement**

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

# uMdoni Municipality

Annual Financial Statements for the year ended June 30, 2017

## Accounting Policies

### 1.5 Property, plant and equipment (continued)

#### Depreciation

Land is not depreciated as it is regarded as having an infinite life. Depreciation on assets other than land is calculated on cost, using the straight line method, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Land	Straight line	Indefinite
Street lighting	Straight line	35 years
Machinery and equipment	Straight line	4-15 years
Furniture and office equipment	Straight line	5-15 years
Computer equipment	Straight line	5 years
Traffic signs	Straight line	15 years
Landfill Site	Straight line	55 years
Cemeteries	Straight line	30 years
Transport asset	Straight line	7-15 years
Dwellings	Straight line	30 years
Non - residential dwellings	Straight line	30 years
Electricity	Straight line	25-30 years
Stormwater	Straight line	40-50 years
Roads municipal asphalt surface	Straight line	20 years
Roads municipal asphalt basis	Straight line	50 years
Roads municipal concrete surface	Straight line	30 years
Roads municipal concrete basis	Straight line	50 years
Roads municipal gravel surface	Straight line	10 years
Kerb and channels	Straight line	50 years
Retaining walls	Straight line	60 years
Pedestrian footpaths	Straight line	30 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

#### Work in Progress

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use.

# **uMdoni Municipality**

Annual Financial Statements for the year ended June 30, 2017

## **Accounting Policies**

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### **1.5 Property, plant and equipment (continued)**

#### **Infrastructure Assets**

Infrastructure Assets are any assets that are part of a network of similar assets. Infrastructure assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure assets are treated similarly to all other assets of the municipality.

#### **Finance Leases**

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as PPE controlled by the entity or where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

#### **Derecognition**

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated depreciation and accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of property, plant and equipment.

### **1.6 Investment property**

#### **Initial Recognition**

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

# uMdoni Municipality

Annual Financial Statements for the year ended June 30, 2017

## Accounting Policies

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### 1.6 Investment property (continued)

#### Subsequent Measurement

Investment property is measured using the cost model. Investment Property is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on cost, using the straight-line method over the useful life of the property. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. Land is not depreciated as it is regarded as having an infinite life. Depreciation on assets other than land is calculated on cost, using the straight line method, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The depreciation rates are based on the following estimated useful lives.

Item	Useful life
Property - buildings	30 years

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

#### Working in Progress

Investment property under construction are recognised as Property, plant and equipment during construction. Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use.

#### Derecognition

An investment property shall be derecognised (eliminated from the statement of financial position) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

### 1.7 Intangible assets

#### Initial Recognition

Identifiable non-monetary assets without physical substance are classified and recognised as intangible assets. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

#### Subsequent Measurement - Cost Model

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

Intangible assets are annually assessed for impairment, including intangible assets not yet available for use. Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation. The impairment loss is the difference between the carrying amount and the recoverable amount.

The estimated useful life, residual values and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively as a change in accounting estimate in the Statement of Financial Performance.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

# uMdoni Municipality

Annual Financial Statements for the year ended June 30, 2017

## Accounting Policies

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### 1.7 Intangible assets (continued)

Item	Useful life
Computer software, other	3 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

### 1.8 Heritage assets

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note ).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note ).

#### Initial measurement

The cost of an item of heritage assets is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Heritage assets are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of heritage assets is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of heritage assets acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

#### Subsequent measurement

Subsequent expenditure relating to heritage assets is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all heritage assets are measured at cost, less accumulated impairment losses. Heritage assets are not depreciated.

#### Impairment

The municipality assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

# **uMdoni Municipality**

Annual Financial Statements for the year ended June 30, 2017

## **Accounting Policies**

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### **1.8 Heritage assets (continued)**

#### **Derecognition**

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of heritage assets.

### **1.9 Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The municipality has various types of financial instruments and these can be broadly categorised as either financial assets, financial liabilities or residual interests in accordance with the substance of the contractual agreement. The municipality only recognises a financial instrument when it becomes a party to the contractual provisions of the instrument.

#### **Initial recognition**

Financial assets and financial liabilities are recognised on the entity's Statement of Financial Position when the entity becomes party to the contractual provisions of the instrument. The Entity does not offset a financial asset and a financial liability unless a legally enforceable right to set off the recognised amounts currently exist: and the entity intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

#### **Fair value methods and assumptions**

The fair values of financial instruments are determined as follows:

The fair values of quoted investments are based on current bid prices.

If the market for a financial asset is not active (and for unlisted securities), the municipality establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

#### **The effective interest rate method**

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

#### **Amortised cost**

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility.

# uMdoni Municipality

Annual Financial Statements for the year ended June 30, 2017

## Accounting Policies

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### 1.9 Financial instruments (continued)

#### Financial Assets - Classification

A financial asset is any asset that is a cash or contractual right to receive cash.

In accordance with GRAP 104 the Financial Assets of the municipality are classified as follows into the three categories allowed by this standard.

Financial asset at amortised cost are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets. Financial asset at amortised cost are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. After initial recognition Financial Assets are measured at amortised cost, using the effective interest rate method less a provision for impairment.

Financial assets measured at fair value are financial assets that meet either of the following conditions:

- (a) derivatives:
- (b) combined instruments that are designated at fair value
- (c) instruments held for trading.
- (d) non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition: or
- (e) financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Financial assets measured at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

Class	Category
Short -Term Investment Deposit	Financial asset measured at amortised cost
Bank Balances and Cash	Financial asset measured at amortised cost
Long-Term Receivables	Financial asset measured at amortised cost
Consumer Receivables	Financial asset measured at amortised cost
Other receivables	Financial asset measured at amortised cost
Investment in Fixed Deposits	Financial asset measured at fair value

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of twelve months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: Financial asset at amortised cost.

#### Financial Liabilities - Classification

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity.

There are three main categories of Financial Liabilities, the classification determining how they are measured. Financial liabilities measured at fair value, or amortised cost or at cost.

The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

#### Type of Financial Liabilities

Class	Category
Long Term Liabilities	Financial liability measured at amortised cost

# uMdoni Municipality

Annual Financial Statements for the year ended June 30, 2017

## Accounting Policies

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### 1.9 Financial instruments (continued)

Other Creditors	Financial liability measured at amortised cost
Bank Overdraft	Financial liability measured at amortised cost
Short-Term Loans	Financial liability measured at amortised cost
Current portion of Long Term Liabilities	Financial liability measured at amortised cost

Financial liabilities that are measured at fair value financial liabilities that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term: derivatives other than hedging instruments or are part of a portfolio of financial instruments where there is recent actual evidence of short-term profiteering or are derivatives)

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

#### Initial recognition

#### Financial Assets :

Financial asset at amortised cost are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with interest recognised on an effective yield basis.

Trade and other receivables (excluding Value Added Taxation, prepayments and operating lease receivables), and loans that have fixed and determinable payments that are not quoted in an active market are classified as Financial asset at amortised cost.

Financial Assets measured at fair value are initially measured at fair value plus directly attributable transaction costs. They are subsequently measured at fair value with surplus and deficit recognised in the statement of financial performance, or determined to be impaired, at which time the cumulative loss recorded in equity is recognised in the statement of financial performance.

#### Initial measurement of financial liabilities

Financial liabilities measured at fair value are stated at fair value, with any resulted gain or loss recognised in the Statement of Financial Performance.

Financial Liabilities measured at amortised cost .

Any other financial liabilities are classified as "Other financial liabilities" (All payables, loans and borrowings are classified as other liabilities) and are initially measured at fair value, net of transaction costs. Trade and other payables, interest bearing debt including finance lease liabilities, non-interest bearing debt and bank borrowings are subsequently measured at amortised cost using the effective interest rate method. Interest expense is recognised in the Statement of Financial Performance by applying the effective interest rate.

Bank borrowings, consisting of interest-bearing short-term bank loans, repayable on demand and overdrafts are recorded at the proceeds received. Finance costs are accounted for using the accrual basis and are added to the carrying amount of the bank borrowing to the extent that they are not settled in the period that they arise.



# uMdoni Municipality

Annual Financial Statements for the year ended June 30, 2017

## Accounting Policies

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### 1.9 Financial instruments (continued)

#### Impairment of financial assets

Financial assets, other than those measured at fair value, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 104.

Financial assets carried at amortised cost

Accounts receivables encompasses long term debtors, consumer debtors and other debtors.

Initially Accounts Receivable are valued at fair value and subsequently carried at amortised cost using the effective interest rate method. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of accounts receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The provision is made in accordance with GRAP 104 whereby the recoverability of accounts receivable is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The amount of the provision is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial.

Government accounts are not provided for as such accounts are regarded as recoverable.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets carried at amortised cost with the exception of consumer debtors, where the carrying amount is reduced through the use of an allowance account. When a consumer debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against revenue. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

Impairment of Financial Assets measured at cost.

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed.

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#### Derecognition

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non recoverability..

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

The municipality recognises the difference between the carrying amount of the financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in the Statement of Financial Performance.

# **uMdoni Municipality**

Annual Financial Statements for the year ended June 30, 2017

## **Accounting Policies**

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### **1.9 Financial instruments (continued)**

#### **Gains and losses**

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

#### **Impairment and uncollectibility of financial assets**

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

#### **Derecognition**

### **1.10 Risk Management of Financial assets and liabilities**

It is the policy of the municipality to disclose information that enables the user of its financial statements to evaluate the nature and extent of risks arising from financial instruments to which the municipality is exposed on the reporting date.

Risks and exposure are disclosed as follows:

#### **Credit Risk:**

- Each class of financial instrument is disclosed separately.
- Maximum exposure to credit risk not covered by collateral is specified.
- Financial instruments covered by collateral are specified.

#### **Liquidity Risk:**

- A maturity analysis for financial assets and liabilities that shows the remaining contractual maturities.
- Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.
- A maturity analysis for financial liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in note 38 to the annual financial statements.

# **uMdoni Municipality**

Annual Financial Statements for the year ended June 30, 2017

## **Accounting Policies**

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### **1.11 Inventories**

#### **Initial recognition**

Inventories comprise of consumable stores. Inventories are recognised at the weighted average method. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired. .

#### **Subsequent measurement**

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realisable value. In general, the basis of determining cost is the weighted average cost of commodities. If inventories are to be distributed at no charge or for a nominal charge they are valued at the lower of cost and net realisable value.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values and sold by public auction. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

### **1.12 Revenue recognition**

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities.

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the municipality and when specific criteria have been met for each of the municipalities' activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the transaction have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

### **1.13 Revenue from exchange transactions**

#### **Service Charges**

Service charges relating to refuse removal are recognised on a monthly basis by applying the approved tariff to each property. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

#### **Prepaid electricity**

Revenue from the sale of electricity pre-paid meter cards are recognised at the point of sale

#### **Finance Income**

Interest earned on investments is recognised in the Statement of Financial Performance on the time proportionate basis that takes into account the effective yield on the investment.

# **uMdoni Municipality**

Annual Financial Statements for the year ended June 30, 2017

## **Accounting Policies**

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### **1.13 Revenue from exchange transactions (continued)**

#### **Tariff charges**

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licenses and permits.

#### **Income from Agency Services**

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

#### **Sale of Goods**

- The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### **Rentals**

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

### **1.14 Revenue from non-exchange transactions**

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

An inflow of resources from a non-exchange transaction, that meets the definition of an asset shall be recognised as an asset when it is probable that the future economic benefits or service potential associated with the asset will flow to the municipality and the fair value of the asset can be measured reliably. The asset shall be recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

A present obligation arising from a non-exchange transaction that meets the definition of a liability will be recognised as a liability when it is probable that an outflow of economic benefit will be required to settle the obligation and a reliable estimate of the amount can be made.

#### **Measurement**

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

#### **Rates and Taxes**

Revenue from property rates is recognised in terms of the Municipal Property Rates Act and the Municipal Rates Policy.

Revenue from property rates is recognised when the legal entitlement to this revenue arises.

# **uMdoni Municipality**

Annual Financial Statements for the year ended June 30, 2017

## **Accounting Policies**

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### **1.14 Revenue from non-exchange transactions (continued)**

#### **Fines**

Revenue from the issuing of fines is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

Fines consist of spot fines and summonses. Revenue for fines is recognised when the fine is issued at the full amount of the receivable.

Assessing and recognising impairment is an event that takes place subsequent to the initial recognition of revenue charged. An entity assesses the probability of collecting revenue when accounts fall into arrears. Such an assessment is not made at the time of initial recognition.

#### **Public contributions**

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use. Where public contributions have been received and the municipality has not met the condition, a liability is recognised.

#### **Government grants and receipts**

Income received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs are recognised in the Statement of Financial Performance in the period in which they become receivable. VAT reclaimed from SARS has been recognised as revenue in accordance with MFMA Circular 48.

Equitable share allocations are recognised in revenue at the start of the financial year if no time-based restrictions exist.

#### **Other Donations and Contributions**

Donations are recognised on a cash receipts basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are available for use.

#### **Revenue from recovery of unauthorised, irregular, fruitless and wasteful expenditure**

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain. Such revenue is based on legislated procedures.

### **1.15 Provisions and contingencies**

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

# uMdoni Municipality

Annual Financial Statements for the year ended June 30, 2017

## Accounting Policies

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### 1.15 Provisions and contingencies (continued)

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

#### **Provision for staff leave :**

The municipality treats its provision for leave pay as an accrual.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position.

#### **Provision for refuse site rehabilitation :**

The Municipality has an obligation to rehabilitate its landfill sites in terms of its license stipulations. Provision is made for this obligation based on the net present value of cost. The cost factors as determined in terms of the Municipal Landfill Closure Costing Module and calculated annually have been applied

### 1.16 Cash and cash equivalents

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of twelve months or less or more and are subject to an insignificant risk of change in value unless the purpose and nature of such investments are for capital appreciation purposes and not held for operational activities as deemed by management .

Cash and cash equivalents in the cash flow statement comprise cash on hand, deposits held on call with banks.

# **uMdoni Municipality**

Annual Financial Statements for the year ended June 30, 2017

## **Accounting Policies**

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### **1.16 Cash and cash equivalents (continued)**

Bank overdrafts are recorded at the current value of the utilisation of approved facilities from the Municipality's bankers. Finance charges on bank overdrafts are expensed as incurred.

### **1.17 Unauthorised expenditure**

Unauthorised expenditure means: Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003)

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### **1.18 Irregular expenditure**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), or is in contravention of the Municipality's supply chain management policies as deemed by the Accounting Officer. Irregular expenditure excludes unauthorised expenditure.

Irregular expenditure is accounted for as an expense in the Statement of Financial Performance in the period it occurred and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### **1.19 Fruitless and wasteful expenditure**

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### **1.20 Employee benefits**

#### **Retirement Benefits :**

The municipality provides retirement benefits for its employees. Contributions are made to the Natal Joint Municipal Pension Fund to fund the obligations for the payment of retirement benefits.

#### **Post- retirement health care benefits :**

The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out every year by independent qualified actuaries.

# **uMdoni Municipality**

Annual Financial Statements for the year ended June 30, 2017

## **Accounting Policies**

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### **1.20 Employee benefits (continued)**

#### **Long-service allowance**

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25, 30, 35, 40 and 45 years of continued service. The municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the statement of financial performance

#### **Defined Contributions Plans**

The municipality provides retirement benefits for its employees. Contributions are made to the Natal Joint Municipal Pension Fund to fund the obligations for the payment of retirement benefits.

Contributions are charged as an expense in the Statement of Financial Performance in the year that they become payable.

The funds are actuarially valued every three years using the discounted cash flow method.

### **1.21 Deposits**

Deposits received by the municipality are in terms of the approved tariff of charges by Council. These mainly relate to the use of community facilities and verge deposits, amongst others

Unidentified Direct Deposits relate to deposits made by the public into the municipality's bank account, which due to a lack of information made during the deposit process, cannot be traced to the relevant debtor. A register is maintained for all Unidentified Direct Deposits. Should all attempts prove fruitless in the identification of the relevant debtor and the amount remains unclaimed by the debtor after a time lapse of two years has occurred, these values are transferred to accumulated surplus.

### **1.22 Leases**

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

#### **Operating and Finance leases**

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment subject to finance lease agreements are capitalised at their cash cost equivalent. The cost of the item of property, plant and equipment is depreciated at appropriate rates on the straight-line basis over its estimated useful life equal to the contract term. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised as an expense in the statement of financial performance.



# **uMdoni Municipality**

Annual Financial Statements for the year ended June 30, 2017

## **Accounting Policies**

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### **1.22 Leases (continued)**

#### **Finance leases - lessee**

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

#### **Operating leases - lessor**

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

#### **Operating leases - lessee**

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

### **1.23 Budget information**

The annual budget figures have been prepared in accordance with the GRAP 24 standard and are consistent with the accounting policies adopted by the Council for the preparation of these financial statements. The amounts are scheduled as a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts. Explanatory comment is provided in the notes to the annual financial statements giving firstly reasons for overall growth or decline in the budget and secondly motivations for over- or underspending on line items. The annual budget figures included in the financial statements are for the Municipality. These figures are those approved by the Council at the beginning and during the year. The budget is approved on an accrual basis by nature classification. The approved budget covers the period from 1 July 2016 to 30 June 2017.

### **1.24 Prior year adjustments**

Restatements are effected to prior period comparatives resulting in the reclassification of prior period disclosure when the presentation or classification of items in the annual financial statements is amended. The nature and reason for the reclassification are disclosed.

### **1.25 Tax**

#### **Value added taxation**

The municipality is registered with SARS for VAT on the cash basis in accordance with Section 15(2)(a) of the Value Added Tax Act, No. 81 of 1991.

# **uMdoni Municipality**

Annual Financial Statements for the year ended June 30, 2017

## **Accounting Policies**

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### **1.26 Events after reporting date**

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.

### **1.27 Related parties**

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

### **1.28 Capital commitments**

Items are classified as commitments where the Municipality commits itself to future transactions that will normally result in the outflow of resources.

Capital commitments are not recognised in the statement of financial position as a liability but are included in the disclosure notes in the following cases:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP.
- Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements.

### **1.29 Transfer of functions between entities not under common control**

#### **Definitions**

An acquiree is the entity and/or the functions that the acquirer obtains control of in a transfer of functions.

An acquirer is the entity that obtains control of the acquiree or transferor.

Acquisition date is the date on which the acquirer obtains control of the acquiree.

uMdoni Municipality incorporated 65% of Vulamehlo Municipality and is a new reporting entity formed from the combination of the inherent portion.

Contingent consideration is usually, an obligation of the acquirer to transfer additional assets or a residual interest to the former owners of an acquiree as part of the exchange for control of the acquiree if specified future events occur or conditions are met. However, contingent consideration also may give the acquirer the right to the return of previously transferred consideration if specified conditions are met.

Control is the power to govern the financial and operating policies of another entity so as to obtain benefit from its activities.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving an entity's objectives, either by providing economic benefits or service potential.

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

## Accounting Policies

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### 1.29 Transfer of functions between entities not under common control (continued)

A merger is the establishment of a new combined entity in which none of the former entities obtain control over any other and no acquirer can be identified.

Non-controlling interest is the interest in the net assets of a controlled entity not attributable, directly or indirectly, to a controlling entity.

Owners (for the purposes of this Standard), is used broadly to include holders of residual interests.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

A transfer of functions is the reorganisation and/or the re-allocation of functions between entities by transferring functions between entities or into another entity.

#### The acquisition method

The municipality accounts for each transfer of functions between entities not under common control by applying the acquisition method.

Applying the acquisition method requires:

- (a) identifying the acquirer;
- (b) determining the acquisition date;
- (c) recognising and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree; and
- (d) recognising the difference between (c) and the consideration transferred to the seller.

#### Identifying the acquirer

For each transfer of functions between entities not under common control, one of the combining entities is identified as the acquirer.

The terms and conditions of a transfer of functions undertaken between entities not under common control are set out in a binding arrangement.

Determining the acquirer includes a consideration of, amongst other things, which of the combining entities initiated the transaction or event, the relative size of the combining entities, as well as whether the assets or revenue of one of the entities involved in the transaction or event significantly exceed those of the other entities. If no acquirer can be identified, the transaction or event is accounted for in terms of the Standard of GRAP on Mergers.

#### Determining the acquisition date

The acquirer identifies the acquisition date, which is the date on which it obtains control of the acquiree.

All relevant facts and circumstances are considered in identifying the transfer date.

#### Recognising and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree

##### Recognition principle

As of the acquisition date, the municipality as acquirer recognises, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree.

Recognition conditions:

## Accounting Policies

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### 1.29 Transfer of functions between entities not under common control (continued)

To qualify for recognition as part of applying the acquisition method, the identifiable assets acquired and liabilities assumed must meet the definitions of assets and liabilities in the Framework for the Preparation and Presentation of Financial Statements and the recognition criteria in the applicable Standards of GRAP at the acquisition date.

In addition, to qualify for recognition as part of applying the acquisition method, the identifiable assets acquired and liabilities assumed must be part of what the municipality as acquirer and the acquiree (or its former owners) agreed in the binding arrangement rather than the result of separate transactions.

Operating leases:

The municipality as acquirer recognises no assets or liabilities related to an operating lease in which the acquiree is the lessee.

The municipality as acquirer determines whether the terms of each operating lease in which the acquiree is the lessee are favourable or unfavourable. The municipality as acquirer recognises an intangible asset if the terms of an operating lease are favourable relative to market terms and a liability if the terms are unfavourable relative to market terms.

An identifiable intangible asset may be associated with an operating lease, which may be evidenced by market participants' willingness to pay a price for the lease even if it is at market terms.

Intangible assets:

The municipality as acquirer separately recognises the identifiable intangible assets acquired in a transfer of functions. An intangible asset is identifiable if it meets either the separability criterion or the contractual-legal right criterion.

Classifying or designating identifiable assets acquired and liabilities assumed in a transfer of functions:

At the acquisition date, the municipality as acquirer classifies or designates the identifiable assets acquired and liabilities assumed as necessary to apply other Standards of GRAP subsequent to the acquisition date. The municipality as acquirer makes those classifications or designations on the basis of the terms of the binding arrangement, economic conditions, its operating or accounting policies and other relevant conditions as they exist at the acquisition date.

### Measurement principle

The municipality as acquirer measures the identifiable assets acquired and the liabilities assumed at their acquisition-date fair values.

Non-controlling interest in an acquiree:

For each transfer of functions, the municipality as acquirer measures at the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation at either:

- fair value; or
- the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets.

Assets with uncertain cash flows (valuation allowances):

The municipality as acquirer does not recognise a separate valuation allowance as of the acquisition date for assets acquired in a transfer of functions that are measured at their acquisition-date fair values because the effects of uncertainty about future cash flows are included in the fair value measure.

Assets subject to operating leases in which the acquiree is the lessor:

In measuring the acquisition-date fair value of an asset such as a building or a patent that is subject to an operating lease in which the acquiree is the lessor, the municipality as acquirer takes into account the terms of the lease.

### Exceptions to the recognition principles

Contingent liabilities:

## Accounting Policies

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### 1.29 Transfer of functions between entities not under common control (continued)

The requirements in the Standard of GRAP on Provisions, Contingent assets and Contingent liabilities do not apply in determining which contingent liabilities to recognise as of the acquisition date. Instead, the municipality as acquirer recognises as of the acquisition date a contingent liability assumed in a transfer of functions if it is a present obligation that arises from past events and its fair value can be measured reliably.

#### Exceptions to both the recognition and measurement principles

Employee benefits:

The municipality as acquirer recognises and measures a liability (or asset, if any) related to the acquiree's employee benefit arrangements in accordance with the Standard of GRAP on Employee Benefits.

Indemnification assets:

The seller in a transfer of functions may contractually indemnify the municipality as acquirer for the outcome of a contingency or uncertainty related to all or part of a specific asset or liability. The municipality as acquirer recognises an indemnification asset at the same time that it recognises the indemnified item measured on the same basis as the indemnified item, subject to the need for a valuation allowance for uncollectible amounts. Therefore, if the indemnification relates to an asset or a liability that is recognised at the acquisition date and measured at its acquisition-date fair value, the municipality as acquirer recognises the indemnification asset at the acquisition date measured at its acquisition-date fair value. For an indemnification asset measured at fair value, the effects of uncertainty about future cash flows because of collectability considerations are included in the fair value measure and a separate valuation allowance is not necessary.

#### Exceptions to the measurement principle

Reacquired rights:

The municipality as acquirer measures the value of a reacquired right recognised as an intangible asset on the basis of the remaining contractual term of the related contract or other binding arrangement regardless of whether market participants would consider potential renewals of the contract or other binding arrangement in determining its fair value.

Assets held for sale:

The municipality as acquirer measures an acquired non-current asset (or disposal group) that is classified as held for sale at the acquisition date in accordance with the Standard of GRAP on Non-current assets held for sale and Discontinued operations at fair value less costs to sell.

#### Recognising and measuring the difference between the assets acquired and liabilities assumed and the consideration transferred (if any)

The municipality as acquirer recognises the difference between the assets acquired and liabilities assumed and the consideration transferred (if any) as of the acquisition date in surplus or deficit. This difference is measured as the excess of (a) over (b) below:

(a) the aggregate of:

(i) the consideration transferred (if any) measured in accordance with this Standard, which generally requires acquisition-date fair value;

(ii) the amount of any non-controlling interest in the acquiree measured in accordance with this Standard; and

(iii) in a transfer of functions achieved in stages, the acquisition-date fair value of the entity as acquirer's previously held equity interest in the acquiree.

(b) the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed measured in accordance with this Standard.

#### Consideration transferred

The consideration transferred in a transfer of functions is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the municipality as acquirer, the liabilities incurred by the municipality as acquirer to former owners of the acquiree and the residual interests issued by the entity as acquirer.

Contingent consideration:

## Accounting Policies

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### 1.29 Transfer of functions between entities not under common control (continued)

The consideration the municipality as acquirer transfers in exchange for the acquiree includes any asset or liability resulting from a contingent consideration arrangement. The municipality as acquirer recognises the acquisition-date fair value of contingent consideration as part of the consideration transferred in exchange for the acquiree.

The municipality as acquirer classifies an obligation to pay contingent consideration as a liability or as net assets on the basis of the definitions of a residual interest and a financial liability in the Standard of GRAP on Financial Instruments, or other applicable Standard of GRAP. The municipality as acquirer classifies as an asset a right to the return of previously transferred consideration if specified conditions are met.

#### A transfer of functions achieved in stages

A municipality as acquirer sometimes obtains control of an acquiree in which it held a residual interest immediately before the acquisition date.

In a transfer of functions achieved in stages, the municipality as acquirer remeasures its previously held residual interest in the acquiree at its acquisition-date fair value and recognises the resulting gain or loss, if any, in surplus or deficit. In prior reporting periods, the municipality as acquirer may have recognised changes in the value of its residual interest in the acquiree in surplus or deficit. If so, the amount that was recognised in surplus or deficit is recognised on the same basis as would be required if the municipality as acquirer had disposed directly of the previously held residual interest.

#### Measurement period

If the initial accounting for a transfer of functions is incomplete by the end of the reporting period in which the transfer occurs, the municipality as acquirer reports in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the municipality as acquirer retrospectively adjust the provisional amounts recognised at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised as of that date.

During the measurement period, the municipality as acquirer also recognises additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as of that date. The measurement period ends as soon as the municipality as acquirer receives the information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable. However, the measurement period does not exceed two years from the acquisition date.

#### Determining what is part of the transfer of functions transaction

The municipality as acquirer and the acquiree may have a pre-existing relationship or other arrangement before or when negotiations for the transfer of functions began, or they may enter into a binding arrangement during the negotiations that is separate from the transfer of functions. In either situation, the municipality as acquirer identifies any amounts that are not part of what the municipality as acquirer and the acquiree (or its former owners) exchanged in the transfer of functions. The acquirer recognises as part of applying the acquisition method only the consideration transferred (if any) for the acquiree and the assets acquired and liabilities assumed by the municipality as acquirer in the transfer of functions as governed by the terms and conditions of the binding arrangement.

#### Effective settlement of a pre-existing relationship between the municipality as acquirer and acquiree in a transfer of functions

A pre-existing relationship between the municipality as acquirer and acquiree may be contractual or non-contractual.

If the transfer of functions in effect settles a pre-existing relationship, the municipality as acquirer recognises a gain or loss, measured as follows:

- (a) for a pre-existing non-contractual relationship, fair value.
- (b) for a pre-existing contractual relationship, the lesser of (i) and (ii):
  - (i) the amount by which the binding arrangement is favourable or unfavourable from the perspective of the municipality as acquirer when compared with terms for current market transactions for the same or similar items.
  - (ii) the amount of any stated settlement provisions in the binding arrangement available to the counterparty to whom the contract is unfavourable.

If (ii) is less than (i), the difference is included as part of the transfer of functions accounting. The amount of gain or loss recognised may depend in part on whether the municipality as acquirer had previously recognised a related asset or liability, and the reported gain or loss therefore may differ from the amount calculated by applying the above requirements.

# uMdoni Municipality

Annual Financial Statements for the year ended June 30, 2017

## Accounting Policies

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### 1.29 Transfer of functions between entities not under common control (continued)

A pre-existing relationship may be a contract that the municipality as acquirer recognises as a reacquired right. If the binding arrangement includes terms that are favourable or unfavourable when compared with pricing for current market transactions for the same or similar items, the municipality as acquirer recognises, separately from the transfer of functions, a gain or loss for the effective settlement of the contract.

Acquisition-related costs:

Acquisition-related costs are costs the municipality as acquirer incurs to effect a transfer of functions. Those costs include advisory, legal, accounting, valuation and other professional or consulting fees, general administrative costs, and costs of registering and issuing debt and equity securities (if applicable). The municipality as acquirer accounts for acquisition-related costs as expenses in the periods in which the costs are incurred and the services are received, with one exception. The costs to issue debt or equity securities (if applicable) are recognised in accordance with the Standard of GRAP on Financial Instruments.

#### Subsequent measurement and accounting

In general, an municipality as acquirer subsequently measure and account for assets acquired, liabilities assumed or incurred and the residual interest issued in a transfer of functions in accordance with other applicable Standards of GRAP for those items, depending on their nature.

#### Reacquired rights

A reacquired right recognised as an intangible asset is amortised over the remaining contractual period of the contract in which the right was granted. An municipality as acquirer that subsequently sells a reacquired right to a third party includes the carrying amount of the intangible asset in determining the gain or loss on the sale.

#### Contingent liabilities

After initial recognition and until the liability is settled, cancelled or expires, the municipality as acquirer measures a contingent liability recognised in a transfer of functions at the higher of:

- (a) the amount that would be recognised in accordance with the Standard of GRAP on Provisions, Contingent liabilities and Contingent assets; and
- (b) the amount initially recognised less, if appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from exchange transactions.

#### Indemnification assets

At the end of each subsequent reporting period, the municipality as acquirer measures an indemnification asset that was recognised at the acquisition date on the same basis as the indemnified liability or asset, subject to any limitations as set in the binding arrangement on its amount and, for an indemnification asset that is not subsequently measured at its fair value, management's assessment of the collectability of the indemnification asset. The municipality as acquirer derecognises the indemnification asset only when it collects the asset, sells it or otherwise loses the right to it.

#### Contingent consideration

Some changes in the fair value of contingent consideration that the municipality as acquirer recognises after the acquisition date may be the result of additional information that the municipality as acquirer obtained after that date about facts and circumstances that existed at the acquisition date. However, changes resulting from events after the acquisition date, such as meeting a performance target, or reaching a milestone on a research and development project, are not measurement period adjustments. The municipality as acquirer accounts for changes in the fair value of contingent consideration that are not measurement period adjustments as follows:

- (a) Contingent consideration classified as net assets shall not be remeasured and its subsequent settlement is accounted for within net assets.
- (b) Contingent consideration classified as an asset or a liability that:
  - (i) is a financial instrument and is within the scope of the Standard of GRAP on Financial Instruments is measured at fair value, with any resulting gain or loss recognised in surplus or deficit in accordance with that Standard of GRAP.
  - (ii) is not within the scope of the Standard of GRAP on Financial Instruments is accounted for in accordance with the Standard of GRAP on Provisions, Contingent liabilities and Contingent assets or other Standards of GRAP as appropriate.

# uMdoni Municipality

Annual Financial Statements for the year ended June 30, 2017

## Notes to the Annual Financial Statements

	2017 R	2016 R
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### 2. New standards and interpretations

#### 2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none"> <li>GRAP 108: Statutory Receivables</li> </ul>	April 1, 2016	The impact of the is not material.
<ul style="list-style-type: none"> <li>GRAP 32: Service Concession Arrangements: Grantor</li> </ul>	April 1, 2016	The impact of the is not material.
<ul style="list-style-type: none"> <li>IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset</li> </ul>	April 1, 2016	The impact of the is not material.

#### 2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after July 1, 2017 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none"> <li>GRAP 34: Separate Financial Statements</li> </ul>	April 1, 2009	Unlikely there will be a material impact
<ul style="list-style-type: none"> <li>GRAP 35: Consolidated Financial Statements</li> </ul>	April 1, 2009	Unlikely there will be a material impact
<ul style="list-style-type: none"> <li>GRAP 36: Investments in Associates and Joint Ventures</li> </ul>	April 1, 2009	Unlikely there will be a material impact
<ul style="list-style-type: none"> <li>GRAP 37: Joint Arrangements</li> </ul>	April 1, 2009	Unlikely there will be a material impact
<ul style="list-style-type: none"> <li>GRAP 38: Disclosure of Interests in Other Entities</li> </ul>	April 1, 2009	Unlikely there will be a material impact
<ul style="list-style-type: none"> <li>GRAP 110: Living and Non-living Resources</li> </ul>	April 1, 2009	Unlikely there will be a material impact
<ul style="list-style-type: none"> <li>GRAP 12 (as amended 2016): Inventories</li> </ul>	April 1, 2018	Unlikely there will be a material impact
<ul style="list-style-type: none"> <li>GRAP 27 (as amended 2016): Agriculture</li> </ul>	April 1, 2018	Unlikely there will be a material impact
<ul style="list-style-type: none"> <li>GRAP 31 (as amended 2016): Intangible Assets</li> </ul>	April 1, 2018	Unlikely there will be a material impact
<ul style="list-style-type: none"> <li>GRAP 103 (as amended 2016): Heritage Assets</li> </ul>	April 1, 2018	Unlikely there will be a material impact
<ul style="list-style-type: none"> <li>GRAP 110 (as amended 2016): Living and Non-living Resources</li> </ul>	April 1, 2018	Unlikely there will be a material impact
<ul style="list-style-type: none"> <li>IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land</li> </ul>	April 1, 2019	Unlikely there will be a material impact
<ul style="list-style-type: none"> <li>Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities</li> </ul>	April 1, 2018	Unlikely there will be a material impact
<ul style="list-style-type: none"> <li>GRAP 20: Related parties</li> </ul>	April 1, 2017	Unlikely there will be a material impact
<ul style="list-style-type: none"> <li>GRAP 26 (as amended 2016): Impairment of cash-generating assets</li> </ul>	April 1, 2018	Unlikely there will be a material impact
<ul style="list-style-type: none"> <li>GRAP 109: Accounting by Principals and Agents</li> </ul>	April 1, 2017	Unlikely there will be a material impact
<ul style="list-style-type: none"> <li>GRAP 21 (as amended 2016): Impairment of non-cash-generating assets</li> </ul>	April 1, 2018	Unlikely there will be a material impact
<ul style="list-style-type: none"> <li>GRAP 106 (as amended 2016): Transfers of functions between entities not under common control</li> </ul>	April 1, 2018	Unlikely there will be a material impact



# uMdoni Municipality

Annual Financial Statements for the year ended June 30, 2017

## Notes to the Annual Financial Statements

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### 2. New standards and interpretations (continued)

#### 2.3 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after July 1, 2017 or later periods but are not relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none"><li>GRAP 17 (as amended 2016): Property, Plant and Equipment</li><li>GRAP 16 (as amended 2016): Investment Property</li></ul>	<p>April 1, 2018</p> <p>April 1, 2018</p>	<p>Unlikely there will be a material impact</p> <p>Unlikely there will be a material impact</p>

### 3. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	5,250	5,250
Bank balances	11,190,274	6,404,531
Short-term deposits	424,547	425,492
Other cash and cash equivalents	194,112,469	116,840,833
	<b>205,732,540</b>	<b>123,676,106</b>

# uMdoni Municipality

Annual Financial Statements for the year ended June 30, 2017

## Notes to the Annual Financial Statements

	2017 R		2016 R	
<b>3. Cash and cash equivalents (continued)</b>				
<b>The municipality had the following bank accounts</b>				
Account number / description	Bank statement balances		Cash book balances	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
ABSA BANK - Account Type - INVESTMENT-Account Number - 92-3600-6170	16,002,207	15,073,163	16,002,207	15,073,163
ABSA BANK - Account Type - INVESTMENT- 92-0488-0592	695	685	695	685
FIRST NATIONAL BANK-Account Type-INVESTMENT- 62-2251-55391	15,902,461	14,904,582	15,902,461	14,904,582
FIRST NATIONAL BANK - Account Type - INVESTMENT-Account Number -71-0938-31661	2,219,684	2,062,469	2,219,684	2,062,469
STANDARD BANK - Account Type - INVESTMENT-Account Number - 5 876 211 6/007	12,778,189	3,778,189	12,778,189	3,778,189
STANDARD BANK - Account Type - INVESTMENT-Account Number - 5 826 2116/008	327,200	327,200	327,200	327,200
STANDARD BANK - Account Type - INVESTMENT - Account Number- 5 876 2116/010	7,817,603	15,451,529	7,817,603	15,451,529
STANDARD BANK - Account Type - INVESTMENT-Account Number - 5 876 2116/014	1,198,103	1,198,103	1,198,103	1,198,103
STANDARD BANK - Account Type - INVESTMENT-Account Number -5 876 2116/015	20,679,195	23,898,920	20,679,195	23,898,920
STANDARD BANK - Account Type - INVESTMENT-Account Number - 5 876 2116/017	-	19,278,000	-	19,278,000
STANDARD BANK - Account Type - INVESTMENT-Account Number - 5 876 2116/020	21,438,346	-	21,438,346	-
STANDARD BANK- Account Type -INVESTMENT-Account Number- 5 441 7996	68,773	66,214	68,773	66,214
NEDBANK-Account Type-INVESTMENT -Account Number - 7 881 0177 59/94	22,267,818	20,801,780	22,267,818	20,801,780
STANDARD BANK- Account Type- CURRENT ACCOUNT-SHORT TERM DEPOSIT -Account Number- 052 854 329	424,547	425,492	424,547	425,492
NEDBANK-Account Type-INVESTMENT -Account Number - 7 881 0177 59/11	21,177,451	-	21,177,451	-
NEDBANK-Account Type-INVESTMENT -Account Number - 7 881 0177 59/116	20,651,260	-	20,651,260	-
NEDBANK-Account Type-INVESTMENT -Account Number - 7 881 0177 59/11	31,583,484	-	31,583,484	-
STANDARD BANK- Account Type- Cheque Account- Account Number-052 791 688 -Primary Bank Account	11,747,628	6,404,531	11,190,274	6,404,531
Cash on Hand	5,250	5,250	5,250	5,250
<b>Total</b>	<b>206,289,894</b>	<b>123,676,107</b>	<b>205,732,540</b>	<b>123,676,107</b>

## 4. Receivables from Non-Exchange Transactions

### Gross balances

Rates	40,926,613	30,313,654
Refuse	3,165,496	2,705,790
Sundries	8,477,884	4,825,584
Housing rental	1,108,712	1,811,853
	<b>53,678,705</b>	<b>39,656,881</b>

### Less: Allowance for impairment

Allowances for Impairment	(9,451,733)	(6,797,111)
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# uMdoni Municipality

Annual Financial Statements for the year ended June 30, 2017

## Notes to the Annual Financial Statements

	2017 R	2016 R
<b>4. Receivables from Non-Exchange Transactions (continued)</b>		
<b>Net balance</b>		
Rates	40,926,613	30,313,654
Refuse	3,165,496	2,705,790
Sundries	8,477,884	4,825,584
Housing rental	1,108,712	1,811,853
Allowances for Impairment	(9,451,733)	(6,797,111)
	<b>44,226,972</b>	<b>32,859,770</b>
<b>Rates</b>		
Current (0 -30 days)	1,658,562	2,143,861
31 - 60 days	908,404	696,463
61 - 90 days	784,832	555,545
91 - 120 days	735,329	454,671
121 - 365 days	36,839,486	26,463,114
	<b>40,926,613</b>	<b>30,313,654</b>
<b>Refuse</b>		
Current (0 -30 days)	310,475	214,832
31 - 60 days	120,599	93,469
61 - 90 days	96,582	79,373
91 - 120 days	92,938	64,045
121 - 365 days	2,544,902	2,254,071
	<b>3,165,496</b>	<b>2,705,790</b>
<b>Sundries</b>		
> 365 days	8,477,884	4,825,584
<b>Housing rental</b>		
Current (0 -30 days)	394,530	14,186
31 - 60 days	3,466	6,943
61 - 90 days	3,466	6,930
91 - 120 days	3,430	6,922
121 - 365 days	703,820	1,776,872
	<b>1,108,712</b>	<b>1,811,853</b>
<b>Allowances for Impairment</b>		
121 - 365 days	(9,451,733)	(6,797,111)
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	(6,797,111)	(11,807,631)
Contributions to allowance	714,138	1,547,889
Debt impairment written off against allowance	-	3,462,631
Transfer of function	(3,368,760)	-
	<b>(9,451,733)</b>	<b>(6,797,111)</b>
<b>5. Receivables from exchange transactions</b>		
Trade debtors	5,075,295	5,075,295
Deposits	53,089	41,192
Insurance debtor	18,784	10,006
	<b>5,147,168</b>	<b>5,126,493</b>

# uMdoni Municipality

Annual Financial Statements for the year ended June 30, 2017

## Notes to the Annual Financial Statements

	2017 R	2016 R
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### 6. VAT receivable

VAT	10,694,940	4,369,793
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VAT is payable on the cash basis. Once payment is received from debtors, VAT is paid over to SARS.

### 7. Operating lease asset (accrual)

Current assets	415,902	401,257
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Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13. In respect of Non-cancellable Operating Leases the following assets have been recognised:

Balance at beginning of the year	401,258	457,230
Operating Lease Revenue Recorded	1,995,792	1,257,427
Operating Lease Revenue Effected	(1,981,147)	(1,313,399)
	<b>415,903</b>	<b>401,258</b>

#### The Municipality as lessor

##### Leasing arrangements:

At the reporting date, the municipality had outstanding receipts in terms of operating leases, which will accrue as follows:

Receivable within 1 year	1,281,977	1,921,898
Receivable within 2-5 Years	6,173,961	5,303,608
Receivable after 5 Years	2,523,022	4,693,836
	<b>9,978,960</b>	<b>11,919,342</b>

Included in the above mentioned operating lease receivables are the following classes of assets, which are only significant collectively:

Land and Buildings	9,978,960	11,919,342
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Operating Leases are recognised on the straight-line basis as per the requirements of GRAP 13. In respect of Non-cancellable Operating Leases the following liabilities have been recognised:

Balance at the Beginning of the year	-	11,049
Operating Lease Expenses Recorded	-	(11,049)
	-	-

Operating Lease Receivables have been restated to adhere to the disclosure provisions of GRAP 13.

#### The Municipality as lessee

##### Leasing arrangements:

At the reporting date the municipality had outstanding commitments under non-cancellable operating leases, which fall due as follows:

Up to 1 year	376,188	502,068
2 to 5 years	487,204	648,612
More than 5 years	142,180	129,098
	<b>1,005,572</b>	<b>1,279,778</b>

# uMdoni Municipality

Annual Financial Statements for the year ended June 30, 2017

## Notes to the Annual Financial Statements

	2017 R	2016 R
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### 7. Operating lease asset (accrual) (continued)

Included in the above mentioned operating lease payments are the following major classes of leases, which are only significant collectively:

Electronic Equipment	915,884	1,198,975
Properties	89,687	80,802
	<b>1,005,571</b>	<b>1,279,777</b>

The following restrictions have been imposed on the municipality in terms of the lease agreements on Office Equipment:

- (i) The equipment shall remain the property of the lessor.
- (ii) The lessee shall not sell, sublet, cede, assign or delegate any of its rights or obligations on the equipment
- (iii) The equipment shall be returned in good order and condition to the lessor upon termination of the agreement.
- (iv) The municipality is obliged to enter into a maintenance agreement with the lessor for the equipment rented.

### 8. Investment property

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	29,715,244	(3,228,498)	26,486,746	28,307,185	(2,644,454)	25,662,731

#### Reconciliation of investment property - 2017

	Opening balance	Additions resulting from Vulamehlo Take On	Depreciation	Total
Investment property	25,662,731	1,408,058	(584,043)	26,486,746

#### Reconciliation of investment property - 2016

	Opening balance	Impairments	Depreciation	Total
Investment property	26,207,044	(4,235)	(540,078)	25,662,731

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Analysis of Investment Property represented at Cost:

572 Park Rynie	R 11 000 000.00	Approx Rental Income p.a	R 138 357.00
1399 Scottburgh	R 6 634 035.00		R 2 393 246.00
328 Umzinto	R 10 673 149.53		R 920 549.00
P77 Dududu	R 1 408 058.85		R 348 151.00
	<b>R 29 715 243.38</b>		<b>R 3 800 303.00</b>

All of the municipality's Investment Property is held under freehold interests and no Investment Property had been pledged as security for any liabilities of the municipality. There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

# uMdoni Municipality

Annual Financial Statements for the year ended June 30, 2017

## Notes to the Annual Financial Statements

	2017 R			2016 R		
9. Property, plant and equipment						
	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	43,628,092	-	43,628,092	43,628,092	-	43,628,092
Machinery and equipment	17,977,736	(11,982,603)	5,995,133	14,923,830	(9,322,302)	5,601,528
Furniture and office equipment	9,193,922	(5,770,794)	3,423,128	7,036,167	(4,960,201)	2,075,966
Computer equipment	4,908,677	(2,557,154)	2,351,523	3,365,805	(2,006,323)	1,359,482
Other property, plant and equipment	9,185,253	-	9,185,253	9,569,347	-	9,569,347
Cemetries	6,903,428	(784,757)	6,118,671	6,903,428	(704,529)	6,198,899
Trasport asset	29,148,979	(21,347,544)	7,801,435	25,094,102	(19,658,495)	5,435,607
Dwellings	11,373,897	(4,332,649)	7,041,248	10,561,519	(3,773,259)	6,788,260
Non - residential dwellings	260,573,842	(54,689,830)	205,884,012	136,480,541	(44,386,997)	92,093,544
Electricity	1,212,748	(482,374)	730,374	1,212,748	(434,045)	778,703
Solid waste disposal	9,216,033	(2,774,628)	6,441,405	9,216,033	(2,488,670)	6,727,363
Roads	519,140,128	(106,932,844)	412,207,284	427,222,771	(88,774,194)	338,448,577
<b>Total</b>	<b>922,462,735</b>	<b>(211,655,177)</b>	<b>710,807,558</b>	<b>695,214,383</b>	<b>(176,509,015)</b>	<b>518,705,368</b>

## uMdoni Municipality

Annual Financial Statements for the year ended June 30, 2017

### Notes to the Annual Financial Statements

Figures in Rand

#### 9. Property, plant and equipment (continued)

##### Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Additions through transfer of functions / mergers	Disposals	AUC Released	Completed	Donation	Depreciation	Impairment loss	Total
Land	43,628,092	-	-	-	-	-	-	-	-	43,628,092
Machinery and equipment	5,601,528	1,230,419	1,807,101	-	16,386	-	-	(2,657,913)	(2,388)	5,995,133
Furniture and office equipment	2,075,966	1,164,433	793,635	-	-	-	199,686	(806,549)	(4,043)	3,423,128
Computer equipment	1,359,482	1,021,887	511,745	-	-	-	9,240	(550,391)	(440)	2,351,523
Other property, plant and equipment	9,569,347	-	-	(384,094)	-	-	-	-	-	9,185,253
Cemetries	6,198,899	-	-	-	-	-	-	(80,228)	-	6,118,671
Trasport asset	5,435,607	3,478,015	576,862	-	-	-	-	(1,667,226)	(21,823)	7,801,435
Dwellings	6,788,260	318,800	493,578	-	-	-	-	(559,390)	-	7,041,248
Non - residential dwellings	92,093,544	11,163,306	112,946,382	-	10,925,475	(10,941,862)	-	(10,302,833)	-	205,884,012
Electricity	778,703	-	-	-	-	-	-	(48,329)	-	730,374
Solid waste disposal	6,727,363	-	-	-	-	-	-	(285,958)	-	6,441,405
Roads	338,448,577	52,354,102	40,642,921	(941,552)	-	-	-	(18,296,764)	-	412,207,284
	<b>518,705,368</b>	<b>70,730,962</b>	<b>157,772,224</b>	<b>(1,325,646)</b>	<b>10,941,861</b>	<b>(10,941,862)</b>	<b>208,926</b>	<b>(35,255,581)</b>	<b>(28,694)</b>	<b>710,807,558</b>

# uMdoni Municipality

Annual Financial Statements for the year ended June 30, 2017

## Notes to the Annual Financial Statements

Figures in Rand

### 9. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Disposals	Transfers	Revaluations	Foreign exchange movements	Other changes, movements	Depreciation	Impairment loss	Impairment reversal	Total
Land	43,628,092	-	-	-	-	-	-	-	-	-	43,628,092
Machinery and equipment	7,456,685	271,097	(96,076)	-	107,613	-	305,741	(2,416,607)	(41,117)	14,192	5,601,515
Furniture and office equipment	2,611,247	529,604	(27,759)	(91,010)	30,201	13,505	(305,741)	(680,303)	(4,846)	1,068	2,075,905
Computer equipment	1,054,888	431,735	(35,053)	-	118,596	211,557	-	(419,210)	(3,031)	-	1,359,402
Other property, plant and equipment	9,857,414	-	(288,067)	-	-	-	-	-	-	-	9,569,347
Cemetries	6,282,662	-	-	-	-	-	-	(83,763)	-	-	6,198,899
Trasport asset	6,984,423	205,716	(33,022)	-	278,546	-	-	(1,999,778)	(278)	-	5,435,685
Dwellings	6,972,322	296,609	-	-	-	-	-	(476,755)	(3,916)	-	6,788,166
Non - residential dwellings	93,244,887	4,932,208	-	-	-	-	-	(5,506,556)	(576,995)	-	92,093,544
Electricity	827,199	-	-	-	-	-	-	(48,496)	-	-	778,703
Solid waste disposal	7,032,401	-	-	-	-	-	-	(305,038)	-	-	6,727,363
Roads	305,684,853	50,997,661	(320,126)	-	-	-	-	(17,934,938)	(614,546)	635,673	338,448,583
	<b>491,637,073</b>	<b>57,664,630</b>	<b>(800,103)</b>	<b>(91,010)</b>	<b>534,956</b>	<b>225,062</b>	<b>-</b>	<b>(29,871,444)</b>	<b>(1,244,729)</b>	<b>650,933</b>	<b>518,705,302</b>

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Contractual commitments for the acquisition of Proerty Plant and Equiment - refer to note 34



# uMdoni Municipality

Annual Financial Statements for the year ended June 30, 2017

## Notes to the Annual Financial Statements

	2017 R	2016 R
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### 10. Intangible assets

	2017			2016		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	1,537,786	(550,970)	986,816	269,405	(216,235)	53,170

#### Reconciliation of intangible assets - 2017

	Opening balance	Additions through transfer of functions / mergers	Amortisation	Total
Computer software, other	53,170	1,264,908	(331,262)	986,816

#### Reconciliation of intangible assets - 2016

	Opening balance	Disposals	Amortisation	Total
Computer software, other	101,001	(7,365)	(40,466)	53,170

### 11. Heritage assets

	2017			2016		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses and transfers	Carrying value
Historical Monument and Antiquities	261,011	-	261,011	170,001	91,010	261,011

#### Reconciliation of heritage assets 2017

	Opening balance	Total
Historical Monument and Antiquities	261,011	261,011

#### Reconciliation of heritage assets 2016

	Opening balance	Transfers	Total
Historical Monument	170,001	91,010	261,011

# uMdoni Municipality

Annual Financial Statements for the year ended June 30, 2017

## Notes to the Annual Financial Statements

	2017 R	2016 R
<b>12. Payables from exchange transactions</b>		
Trade payables	7,098,861	2,643,923
Payments received in advanced	5,020,235	4,991,106
Accrued leave pay	7,985,302	6,623,209
Deposits received	2,810,414	1,702,913
Other payables	96,665	134,153
Traffic refunds	481,687	481,987
Sundry Creditors	31,293,787	25,898,956
Retention held	19,194,353	16,610,407
Encroachment Fees	6,463	(3,079)
	<b>73,987,767</b>	<b>59,083,575</b>

The average credit period on purchases is 30 days from the receipt of the invoice (as determined by the MFMA). No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has financial policies in place to ensure that all payables are paid within the credit timeframe.

Deposits are paid by members of the community on application for the hire of community halls and facilities, as stipulated in the tariff of charges. The deposits are repaid when the use of the community halls/facilities are completed, and an inspection has been executed to ensure that the facilities hired have been restored to its original condition, and no damage to property has occurred. In cases where the condition of the facilities have not been restored to its original condition or damage to the property is evident, Council can utilize the deposit as payment to rectify the facilities to its original condition or to restore any damage to the property.

No interest is paid on consumer deposits held.

Retention refers to monies retained by the municipality on construction work completed by the various suppliers throughout the duration of their contract. These monies are released to the upon progressive completion of their respective undertakings.

Leave accrual is due to staff leave accrue to the staff of the municipality on an annual basis, subject to certain conditions and is capped at 48 days as per the collective agreement. Except where an employee was not authorised leave due to operational reasons. The provision is an estimate of the amount due at the reporting date.

## 13. Employee benefit obligations

The amounts recognised in the statement of financial position are as follows:

<b>Carrying value</b>		
Medical Aid	(15,299,003)	(15,272,800)
Long Service	(3,591,010)	(2,954,588)
	<b>(18,890,013)</b>	<b>(18,227,388)</b>
Non-current liabilities	(17,920,133)	(17,343,431)
Current liabilities	(969,880)	(883,957)
	<b>(18,890,013)</b>	<b>(18,227,388)</b>

The fair value of plan assets includes:

Post Employment Health Care Benefit Liability	15,299,003	15,272,800
Subtotal	15,299,003	15,272,800
Less : Transfer to Current Provisions	(726,445)	(645,900)
	<b>14,572,558</b>	<b>14,626,900</b>

# uMdoni Municipality

Annual Financial Statements for the year ended June 30, 2017

## Notes to the Annual Financial Statements

	2017 R	2016 R
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### 13. Employee benefit obligations (continued)

The Municipality provides certain post retirement medical benefits by funding the medical aid contributions of certain retired members of the Municipality. According to the rules of the medical aid funds, with which the municipality is associated, a member (who is on the current condition of service), on retirement, is entitled to remain a continued member of such medical aid fund, in which case the Municipality is liable for a certain portion of the medical aid membership fee.

The most recent actuarial valuations of plan assets and the present value of the unfunded defined benefit obligation were carried out as at 30 June 2017 by ARCH Actuarial Consultants, a member of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method. No other post retirement benefits are provided by the municipality.

The Post Employment Health Care Benefit Plan is a defined benefit plan, of which the members are made up as follows:

In-service members	144	127
Continuation members	19	19
	<b>163</b>	<b>146</b>

The liability in respect of past service has been estimated to be as

In- service members	8,768,382	8,273,548
Continuation members	6,530,621	6,999,251
	<b>15,299,003</b>	<b>15,272,799</b>

The municipality makes monthly contributions for health care

- Bonitas
- Key Health
- LA Health
- Samwumed
- Hosmed

The future service cost for the ensuing year is established to be R 755,562 whereas the interest-cost for the next year is estimated to be R 1,426,996 (2016: R 743,980 and R 1,344,186 respectively)

### Key assumptions used

Assumptions used at the reporting date:

### The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount Rate	Yield Curve	9.55 %
Health Care Cost Inflation Rate	CPI+1	7.83 %
Net Effective Discount Rate	Yield Curve	1.60 %
	Based	
Expected Retirement Age -Females	63	63
Expected Retirement Age -Males	63	63

### The amounts recognised in the Statement of Financial Position are as follows:

Present Value of Fund Obligations	<b>15,299,003</b>	<b>15,272,799</b>
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# uMdoni Municipality

Annual Financial Statements for the year ended June 30, 2017

## Notes to the Annual Financial Statements

	2017 R	2016 R
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### 13. Employee benefit obligations (continued)

The amount recognised in the Statement of Financial Performance under employee related costs are as follows:

Current Service Cost	744,000	703,000
Interest Cost	1,344,186	1,417,000
Actuarial (Gain )/Loss recognised	(1,416,062)	(1,625,201)
	<b>672,124</b>	<b>494,799</b>

The movement in the defined benefit obligation over the year is as follows:

Balance at Beginning of Year	15,272,799	15,464,000
Current Service Cost	743,980	703,000
Interest Cost	1,344,186	1,417,000
Benefits Paid	(645,900)	(686,000)
Recognised Actuarial (Gain /Loss)	1,033,079	(1,625,201)
Impact Maximum subsidy being applied	(2,449,141)	-
	<b>15,299,003</b>	<b>15,272,799</b>

The effect of a 1 % movement in the assumed rate of health care

#### Increase

Effect on the defined benefit obligation	2,328,600	2,490,900
	-	17,686,000

#### Decrease

Effect on the aggregate of the current service cost and the interest cost	-	1,964,000
Effect on the defined benefit obligation	-	13,309,000

The future service cost for the ensuing year is estimated to be R 755 562 whereas the interest-cost for the next year is estimated to be R 1 426 996

The history of experienced adjustments are as follows:	2017	2016	2015	2014	2013
Present value of Defined Benefit Obligation	15,299,003	15,272,799	15,464,000	14,109,000	21,420,419

### Defined contribution plan

Umdoni Municipality makes provision for post-retirement benefits to eligible councillors and employees, who belong to different pension schemes.

All full-time employees belong to the KwaZulu Natal Joint Municipal Pension Fund, which are made up by the Retirement, Superannuation and Provident Funds. Councillors have the option to belong to the Pension Fund for Municipal Councillors.

All full-time employees belong to the KwaZulu Natal Joint Municipal Pension Fund, which are made up by the Retirement, Superannuation and Provident Funds. Councillors have the option to belong to the Pension Fund for Municipal Councillors.

These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

All of these afore-mentioned funds are multi-employer plans and are subject to either a triennial, biennial or annual actuarial valuation, details which are provided below.

Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:-

# uMdoni Municipality

Annual Financial Statements for the year ended June 30, 2017

## Notes to the Annual Financial Statements

	2017 R	2016 R
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### 13. Employee benefit obligations (continued)

(i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.

(ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.

(iii) The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The Retirement Funds have been valued by making use of the Discounted Cash Flow method of valuation. For both the Superannuation and Retirement Funds valuations making use of the Discontinuance Method Approach have been included as well.

# uMdoni Municipality

Annual Financial Statements for the year ended June 30, 2017

## Notes to the Annual Financial Statements

	2017 R	2016 R
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### 13. Employee benefit obligations (continued)

#### DEFINED BENEFIT SCHEMES

##### Retirement Fund:

The scheme is subject to a tri-annual actuarial valuation. The last interim actuarial valuation was performed as at 31 March 2015 by Argen Actuarial Solution 2015.

The interim actuarial valuation performed as at 31 March 2015 revealed that the fund had a shortfall of R 148 million (31 March 2013: shortfall of R 203,7 million), with a funding level of 96,1% (31 March 2013: 86,0%). The contribution rate, including the surcharges below, paid by the members (7%) and municipalities (18,37%) should be sufficient to eradicate the shortfall in the fund. However, the basic contribution payable is 0.13% less than the required contribution rate.

The actuarial shortfall is taken into account by determining surcharges, to be met by increased contributions. These surcharges amount to 17.5% of pensionable emoluments, of which 1,65% is payable by members and 15,85% is payable by the local authority.

The fund has effectively been closed to new members, and it is therefore assumed for the valuation, that no new members will join the fund. However, at present, members of the three Natal Joint Funds are permitted to transfer between the funds and this flow of members may affect the rate of contribution required to be paid to the Fund.

##### Superannuation Fund:

The scheme is subject to a tri-annual actuarial valuation. The last interim actuarial valuation was performed as at 31 March 2015 by Argen Actuarial Solutions 2015.

The interim actuarial valuation performed as at 31 March 2015 revealed that the fund had a shortfall of R 0 (31 March 2014: shortfall of R 0 million), with a funding level of 100,0% (31 March 2014: 100%). The contribution rate paid by the members (9,25%) and municipalities (21,63%) is 0,75% (31 March 2014 : 0.71 %) less than the required contribution rate for future service and will be reviewed at the next interim valuation. The deficit in respect of active members is being met by a surcharge of 9,5% (31 March 2014: 9,5%) of pensionable salaries. It was expected that the deficit will be fully funded by 2016.

This surcharge is payable until 31 July 2020. The surcharge to local authorities amounts to 9.50% (31 March 2014: 9.0%). The "Scheme to eliminate deficiency" in terms of Section 18 of the Pension Funds Act was implemented with effect from 1 August 2012 for a period of 8 years.

The fund has effectively been closed to new members, and it is therefore assumed for the valuation, that no new members will join the fund. However, at present, members of the three Natal Joint Funds are permitted to transfer between the funds and this flow of members may affect the rate of contribution required to be paid to the Fund. It is intended that the Fund will merge with the Retirement Fund in the near future.

#### DEFINED CONTRIBUTION SCHEMES

##### Municipal Councillors Pension Fund.

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2011.

The interim valuation performed as at 30 June 2011 revealed that the assets of the fund amounted to R 1 483 786 381 (30 June 2010: R 1 123 672 020). The contribution rate paid by the members (13.75%) and the municipalities (15,00%) is sufficient to fund the benefits accruing from the fund in the future.

As reported by the Actuaries, the Fund was in a sound financial condition as at 30 June 2011.

##### Provident Fund:

The scheme is subject to a tri-annual actuarial valuation. The last interim actuarial valuation was performed as at 31 March 2014 by Argen Actuaries.

# uMdoni Municipality

Annual Financial Statements for the year ended June 30, 2017

## Notes to the Annual Financial Statements

	2017 R	2016 R
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### 13. Employee benefit obligations (continued)

The interim actuarial valuation performed as at 31 March 2014 revealed that the market value of the fund was R 2 151,9 million (31 March 2012: R 1 288,3 million). The contribution rate payable (either 5,00%, 7,00% or 9,25% by the member and 6,00%, 9,90% or 14,25% plus an additional 3,75% by the employer), is sufficient to cover the cost of benefits and expenses and the fund was certified to be in sound financial condition as at 31 March 2014.

None of the above mentioned plans are State Plans

#### Long Service Awards

Provision for Long Service Awards	3,591,009	2,954,588
Total Provision for Long Service Awards	3,591,009	2,954,588
Less : Transfer to Current Provisions	(243,435)	(238,057)
	<b>3,347,574</b>	<b>2,716,531</b>

A long-service award is granted to municipal employees after the completion of fixed periods of continuous service with the Municipality (which includes their uninterrupted service with the former local authorities amalgamated in December 2000 to become Umdoni Municipality). The provision represents an estimation of the awards to which employees in the service of the Municipality at 30 June 2015 may become entitled to in future, based on an actuarial valuation performed at that date.

The most recent actuarial valuations of plan assets and the present value of the unfunded defined benefit obligation were carried out as at 30 June 2016 by Arch Actuarial Consultants, a member of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method. No other long service benefits are provided by the municipality.

The Long Service Awards plans are defined benefit plans. As at year end, 312 employees were eligible for Long Service Awards.

The future service cost for the ensuing year is estimated to be R 302,587 whereas the interest-cost for the next year is estimated to be R 243,337

#### The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount rate	Yield Curve	8.44 %
Expected rate of salary Increase	CPI +1	6.26 %
Net effective discount rate	Yield Curve Based	2.05 %

#### The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	3,591,009	2,954,588
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#### The amount recognised in the Statement of Financial Performance under employee related costs are as follows:

Current service cost	302,587	301,000
Interest cost	243,337	266,000
Actuarial loss/ gain	328,554	(272,412)
	<b>874,478</b>	<b>294,588</b>

#### The movement in the defined benefit obligation over the year is as follows:

Balance at beginning of year	2,954,588	2,919,000
Current service cost	302,587	301,000
Interest cost	243,337	266,000
Benefits paid	(238,057)	(259,000)
Actuarial (gain / losses) recognised	328,554	(272,412)
	<b>3,591,009</b>	<b>2,954,588</b>

# uMdoni Municipality

Annual Financial Statements for the year ended June 30, 2017

## Notes to the Annual Financial Statements

	2017 R	2016 R
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### 13. Employee benefit obligations (continued)

The effect of a 1% movement in the assumed rate of salary inflation is as follows:

#### Increase

Effect on the aggregate of the current service cost and the interest cost	699,300	589,300
Effect on the defined benefit obligation	-	3,156,000

#### Decrease

Effect on the aggregate of the current service cost and the interest cost	640,500	534,800
Effect on the defined benefit obligation	-	2,772,000

The history of experienced adjustments are as follows:

	2017	2016	2015	2014	2013
	(3,591,009)	(2,954,588)	(2,919,000)	(2,889,000)	(1,589,017)

### 14. Provisions

#### Reconciliation of provisions - 2017

	Opening Balance	Additions	Total
Environmental rehabilitation	9,635,843	2,627,731	12,263,574

#### Reconciliation of provisions - 2016

	Opening Balance	Additions	Change in discount factor	Total
Environmental rehabilitation	5,178,130	3,253,232	1,204,481	9,635,843

#### Environmental rehabilitation provision

In terms of the licencing of the landfill refuse sites, Council will incur rehabilitation costs of R 12 263 574.00 determined at present value, to restore the sites. Provision has been made for an amount based on the present value of cost.

The costs of rehabilitating the refuse site have been estimated by the Council's external consulting engineers, Mashalaba and Associates Consulting, who control the operations carried out by the service provider. Council has to submit a rehabilitation plan to the Department of Water Affairs six months prior to closing the site.

### 15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

#### Unspent conditional grants and receipts

Disaster recovery grant	475,430	-
Emergency relief-zwelisha road	133,741	133,741
MIG	3,962,556	300,872
Shaymoya spl fld management	76,435	76,435
Scottburgh CBD Rehab	16,561,404	-
	<b>21,209,566</b>	<b>511,048</b>

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.



# uMdoni Municipality

Annual Financial Statements for the year ended June 30, 2017

## Notes to the Annual Financial Statements

	2017 R	2016 R
<b>15. Unspent conditional grants and receipts (continued)</b>		
See note 23 for reconciliation of grants from National/Provincial Government.		
These amounts are invested in multiple ring-fenced investment until utilised.		
<b>16. Finance lease obligation</b>		
<b>Minimum lease payments due</b>		
- within one year	1,976,817	1,685,041
- in second to fifth year inclusive	2,777,108	4,145,105
	4,753,925	5,830,146
less: future finance charges	(508,116)	(860,461)
<b>Present value of minimum lease payments</b>	<b>4,245,809</b>	<b>4,969,685</b>
<b>Present value of minimum lease payments due</b>		
- within one year	1,656,748	1,265,868
- in second to fifth year inclusive	2,589,060	3,703,817
	<b>4,245,808</b>	<b>4,969,685</b>
Non-current liabilities	2,589,060	3,703,817
Current liabilities	1,656,748	1,265,868
	<b>4,245,808</b>	<b>4,969,685</b>

Finance Leases relate to Property, Plant and Equipment with lease terms not more than 5 years. The effective interest rate on Finance Leases is 9%.

The risks and rewards of ownership in respect of the Property, Plant and Equipment will transfer to the municipality at the conclusion of the agreement.

The municipality's obligations under Finance Leases are secured by the lessors' title to the leased assets.

The obligations under Finance Leases are as follows:

Finance lease payments represent lease payments by the municipality for one Vehicle and THREE Equipment :

TLB  
Toyota FORTUNER  
2 x Motor Grader

The municipality has finance lease agreements for the following significant classes of assets:

### (i) Vehicles- Fortuner

Installments are payable monthly in arrears	324,270	-
Average Period	33	-
Average effective interest rate , based on prime	9.00 %	- %
Average monthly installment	9,826	-

# uMdoni Municipality

Annual Financial Statements for the year ended June 30, 2017

## Notes to the Annual Financial Statements

	2017 R	2016 R
<b>16. Finance lease obligation (continued)</b>		
<b>(ii) Equipment- 2X Grader</b>		
- Instalments are payable monthly in arrears	4,145,105	6,683,820
- Average period outstanding	30	42
- Average effective interest rate , based on prime	9.00 %	8.90 %
- Average monthly installment	138,170	138,170
<b>(iii) Machine - TLB</b>		
installments are payable monthly in arrears	284,549	-
Average period	17	-
Average effective interest rate , based on prime	9	-
Average monthly installment	16,738	-
<b>17. Accumulated surplus</b>		
<b>Ring-fenced internal funds and reserves within accumulated surplus - 2017</b>		
	Housing development fund	Total
Opening balance	10,229,181	10,229,181
Capital grants used to purchase property, plant and equipment	450,287	450,287
	<b>10,679,468</b>	<b>10,679,468</b>
<b>Ring-fenced internal funds and reserves within accumulated surplus - 2016</b>		
	Housing development fund	Total
Opening balance	13,438,597	13,438,597
Capital grants used to purchase property, plant and equipment	(3,209,416)	(3,209,416)
	<b>10,229,181</b>	<b>10,229,181</b>
<b>18. Service charges</b>		
Refuse removal	8,553,561	8,136,481
The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.		
<b>19. Rental of facilities and equipment</b>		
<b>Premises</b>		
Premises	5,244,843	4,665,342

## uMdoni Municipality

Annual Financial Statements for the year ended June 30, 2017

### Notes to the Annual Financial Statements

	2017 R	2016 R
<b>20. Other income</b>		
Signage	48,804	96,876
Plot clearing	1,018	4,491
Photocopy	69,870	58,523
Printing Income	54,982	44,416
Rezoning application	11,311	304,321
Commissioned earned	41,959	23,999
Rates certificates	144,492	131,405
Non refundable tender deposit	197,808	187,894
Special consents	10,479	28,509
Insurance recovery	1,248	801,480
Subdivisions	16,658	110,491
Application for relaxation	39,704	35,697
Taxi fees	23,824	18,233
Sundry Income	898,461	3,771,373
Scholar patrol income	1,100,589	956,015
Cemetery fees	31,956	23,105
Legal fees income	352,906	571,950
Electricity - income	693,570	714,828
Building plan fees	516,067	414,333
Fire services income	-	46,278
Inspections	222,535	171,372
Removal of Restrictions	-	1,657
Other income	-	225,062
Donations	208,927	-
	<b>4,687,168</b>	<b>8,742,308</b>

The amounts disclosed above for Other Income are in respect of services, other than described in Notes 21, rendered which are billed to or paid for by the users as the services are required according to approved tariffs.

Sundry income figure is made up of: Lost book recoveries; Subscriptions; Debt impairment reversal; Settlement discount; Non-refundable tender deposits; Demolition and dumping; Home activities; Zoning Certificates; Grave reservations.

Donations relates to assets received in-kind from Department of Arts and Culture (refer to note 9).

### 21. Investment revenue

#### Interest revenue

Bank	12,149,774	7,220,470
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## uMdoni Municipality

Annual Financial Statements for the year ended June 30, 2017

### Notes to the Annual Financial Statements

	2017 R	2016 R
<b>22. Property rates</b>		
<b>Rates received</b>		
Residential	85,488,185	80,811,443
Less: Income forgone	(11,976,210)	(11,451,442)
	<u>73,511,975</u>	<u>69,360,001</u>
Property rates - penalties imposed	3,003,186	2,404,536
	<u><b>76,515,161</b></u>	<u><b>71,764,537</b></u>

#### Randages in terms of the Municipal Property Rates Act

Residential	0.00947	0.00910
Commercial, Business and Industrial	0.01267	0.01218
Agricultural Property	0.00237	0.00228
Public Service Infrastructure, Public Benefit Organisations	0.00237	0.00228
Vacant Industrial, Commercial and Other	0.02384	0.02292

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2012. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

The new general valuation will be implemented on 01 July 2017.

#### Rebates on these rates are allowed on the following basis:

Special Residential (excluding vacant land )	75,000	75,000
Vacant Property	15,000	15,000
Disabled Persons, Pensioners, Indigent Persons as defined in the Indigent	370,000	370,000
	<u><b>460,000</b></u>	<u><b>460,000</b></u>

Property Rates are levied on the value of land and improvements, which valuation is performed every five years. The last valuation came into effect on 1 July 2012.

Interim valuations are processed on a continuous basis to take into account changes in individual property values due to alterations and subdivisions.

Rates are levied monthly on property owners and are payable the end of each month. Interest is levied at a rate determined by council on outstanding rates amounts.

# uMdoni Municipality

Annual Financial Statements for the year ended June 30, 2017

## Notes to the Annual Financial Statements

	2017 R	2016 R
<b>23. Government grants and subsidies</b>		
<b>Operating grants</b>		
Equitable share	110,870,000	60,678,000
Finance Management Grant	3,835,000	1,800,000
MSIG	-	930,000
Cyber Cadets	510,000	708,958
SETA refund	-	8,609
Library services	4,509,000	4,429,000
Demarcation Grant	7,771,000	-
Informal Traders Stalls	-	418,470
Extended Public Works Programme	2,038,000	1,069,000
Electrification	8,000,000	-
Vulamehlo Municipality Inherited	1,339,529	-
	<b>138,872,529</b>	<b>70,042,037</b>
<b>Capital grants</b>		
MIG	32,208,316	42,349,396
Disaster Recovery	29,524,570	-
Scottburgh CBD Grant	7,438,596	-
	<b>69,171,482</b>	<b>42,349,396</b>
	<b>208,044,011</b>	<b>112,391,433</b>
<b>Corridor Development Grant (KZN Cogta)</b>		
Balance unspent at beginning of year	-	97,024
Conditions met - transferred to revenue	-	(97,024)
	-	-
Conditions has been met . (see note 15).		
<b>Disaster Recovery Grant( KZN Cogta )</b>		
Balance unspent at beginning of year	-	5,054,000
Current-year receipts	30,000,000	6,000,000
Conditions met - transferred to revenue	(29,524,570)	(11,054,000)
	<b>475,430</b>	-
Conditions has been met . (see note 15).		
<b>Emergency Relief (KZN Cogta)</b>		
Balance unspent at beginning of year	133,741	133,741
Conditions has not been met - remain liabilities (see note 15).		
<b>Fresh Produce Market (KZN Cogta)</b>		
Balance unspent at beginning of year	-	98,538
Conditions met - transferred to revenue	-	(98,538)
	-	-
Conditions has been met . (see note 15).		
<b>Malangeni Library Cybercadet ( KZN Arts and Culture)</b>		

# uMdoni Municipality

Annual Financial Statements for the year ended June 30, 2017

## Notes to the Annual Financial Statements

	2017 R	2016 R
<b>23. Government grants and subsidies (continued)</b>		
Balance unspent at beginning of year	-	106,793
Current-year receipts	170,000	170,000
Conditions met - transferred to revenue	(170,000)	(276,793)
	<u>-</u>	<u>-</u>
Conditions has been met . (see note 15).		
<b>MIG Flood</b>		
Balance unspent at beginning of year	300,872	5,781,873
Current-year receipts	35,870,000	20,633,070
Conditions met - transferred to revenue	(32,208,316)	(26,114,071)
	<u><b>3,962,556</b></u>	<u><b>300,872</b></u>
Conditions has been met - remain liabilities (see note 15).		
<b>Park Rynie Industrial Park (KZN Cogta)</b>		
Balance unspent at beginning of year	-	222,908
Conditions met - transferred to revenue	-	(222,908)
	<u>-</u>	<u>-</u>
Conditions has been met . (see note 15).		
<b>Scottburgh Library Cybercadet (KZN Arts and Culture)</b>		
Balance unspent at beginning of year	-	61,845
Current-year receipts	170,000	170,000
Conditions met - transferred to revenue	(170,000)	(231,845)
	<u>-</u>	<u>-</u>
Conditions has been met .(see note 15).		
<b>Shayamoya Sportsfield</b>		
Balance unspent at beginning of year	76,435	177,435
Conditions met - transferred to revenue	-	(101,000)
	<u><b>76,435</b></u>	<u><b>76,435</b></u>
Conditions still to be met - remain liabilities (see note 15).		
<b>Umzinto Library Cybercadet (KZN Arts and Culture)</b>		
Balance unspent at beginning of year	-	30,319
Current-year receipts	170,000	170,000
Conditions met - transferred to revenue	(170,000)	(200,319)
	<u>-</u>	<u>-</u>
Conditions has been met .(see note 15).		
<b>Vulamehlo Municipality- Inherited</b>		
Current-year receipts	4,985,529	-

# uMdoni Municipality

Annual Financial Statements for the year ended June 30, 2017

## Notes to the Annual Financial Statements

	2017 R	2016 R
<b>23. Government grants and subsidies (continued)</b>		
Conditions met - transferred to revenue	(4,985,529)	-
	<u>-</u>	<u>-</u>
Conditions still to be met - remain liabilities (see note 15).		
Provide explanations of conditions still to be met and other relevant information.		
<b>Scottburgh CBD Rehabilitation</b>		
Current-year receipts	24,000,000	-
Conditions met - transferred to revenue	(7,438,596)	-
	<u><b>16,561,404</b></u>	<u>-</u>
Conditions still to be met - remain liabilities (see note 15).		
Provide explanations of conditions still to be met and other relevant information.		
<b>24. Revenue</b>		
Service charges	8,553,561	8,136,481
Rental of facilities and equipment	5,244,843	4,665,342
Other income	4,687,168	8,742,308
Interest received - investment	12,149,774	7,220,470
Property rates	73,511,975	69,360,001
Property rates - penalties imposed	3,003,186	2,404,536
Gain from Transfer of function	177,097,724	-
Government grants & subsidies	208,044,011	112,391,433
Fines, Penalties and Forfeits	1,027,715	366,718
	<u><b>493,319,957</b></u>	<u><b>213,287,289</b></u>
<b>The amount included in revenue arising from exchanges of goods or services are as follows:</b>		
Service charges	8,553,561	8,136,481
Rental of facilities and equipment	5,244,843	4,665,342
Other income	4,687,168	8,742,308
Interest received - investment	12,149,774	7,220,470
	<u><b>30,635,346</b></u>	<u><b>28,764,601</b></u>
<b>The amount included in revenue arising from non-exchange transactions is as follows:</b>		
<b>Taxation revenue</b>		
Property rates	73,511,975	69,360,001
Property rates - penalties imposed	3,003,186	2,404,536
Gain from Transfer of Function	177,097,724	-
Licences or Permits (Non-exchange)	8,097,732	7,052,326
<b>Transfer revenue</b>		
Government grants & subsidies	208,044,011	112,391,433
Fines, Penalties and Forfeits	1,027,715	366,718
	<u><b>470,782,343</b></u>	<u><b>191,575,014</b></u>

# uMdoni Municipality

Annual Financial Statements for the year ended June 30, 2017

## Notes to the Annual Financial Statements

	2017 R	2016 R
<b>25. Employee related costs</b>		
Basic	51,318,259	43,589,631
Medical aid - company contributions	3,445,455	2,658,516
UIF	532,163	442,244
SDL	621,124	517,283
Cyber Cadet	408,970	385,821
FMG Salaries	364,114	882,938
PMU Salaries	522,888	432,380
Pension fund	7,759,239	6,802,107
Staff insurance	3,076	3,444
Overtime payments	2,619,024	2,183,321
Long-service awards	-	163
13th Cheques	2,939,779	2,937,051
Non Pensionable Allowance	647,234	665,870
Other allowance	19,113	13,168
Housing benefits and allowances	164,724	113,700
Rental Subsidy	22,160	24,440
Bargaining council levy	34,650	31,009
Cellphone allowance	228,616	174,552
Contract workers	1,355,767	836,069
Standby	265,439	221,206
	<b>73,271,794</b>	<b>62,914,913</b>
<b>Remuneration of the Municipal Manager : Mr XS Luthuli (July 2016- June 2017)</b>		
Annual Remuneration	1,009,942	960,301
Cellphone Allowance	20,868	20,868
Back Pay	24,395	15,489
	<b>1,055,205</b>	<b>996,658</b>
<b>Remuneration of the Chief Financial Officer : Ms T Mhlongo (July 2016 - June 2017)</b>		
Annual Remuneration	722,127	467,070
Cellphone Allowance	6,600	4,400
Travelling Allowance	127,200	80,000
Back Pay	20,515	-
	<b>876,442</b>	<b>551,470</b>
<b>Remuneration of the General Manager : Technical Services: Mr S Mngadi (July 2016 - June 2017 )</b>		
Annual Remuneration	782,460	744,000
Cellphone Allowance	7,920	7,920
Performance Bonus	-	35,280
Back Pay	18,900	-
	<b>809,280</b>	<b>787,200</b>
<b>Remuneration of the General Manager : Corporate Services Mrs N Ncame ( July 2016 - June 2017 )</b>		
Annual Remuneration	575,876	552,193
Performance Bonus	6,600	25,229
Travelling Allowance	63,600	60,000
Back Pay	15,446	-
	<b>661,522</b>	<b>637,422</b>



# uMdoni Municipality

Annual Financial Statements for the year ended June 30, 2017

## Notes to the Annual Financial Statements

	2017 R	2016 R
<b>25. Employee related costs (continued)</b>		
<b>Remuneration of the General Manager : Planning and Development : Mrs C Vezi (July 2016- June 2017)</b>		
Annual Remuneration	816,120	774,620
Cellphone Allowance	6,600	7,200
Performance Bonus	-	55,098
Back Pay	19,678	12,494
Leave Paid	146,841	-
	<b>989,239</b>	<b>849,412</b>
<b>Remuneration of the General Manger : Community Services: Mrs L Shange (July 2016-June 2017)</b>		
Annual Remuneration	783,329	744,827
Cellphone Allowance	7,920	7,920
Performance Bonus	-	68,116
Back Pay	18,921	12,013
	<b>810,170</b>	<b>832,876</b>
<b>26. Remuneration of councillors</b>		
Councillors	11,622,152	6,474,700
<b>REMUNERATION OF COUNCILLORS (01/07/2016-10/08/2016)</b>		
Cllr SSI Khwela (Executive Mayor )	96,900	788,392
Cllr MO Zama (Deputy Mayor )	78,127	636,117
Cllr P Naidoo ( Speaker )	78,127	636,117
Cllr EV Baptie (ExCo. Member )	73,358	597,897
Other Councillors	466,941	3,816,176
	<b>793,453</b>	<b>6,474,699</b>
<b>REMUNERATION OF COUNCILLORS(11/08/2016-30/06/2017)</b>		
Cllr WT Dube ( Executive Mayor )	698,080	-
Cllr ST Khathi (Deputy Mayor )	565,619	-
Cllr SSI Khwela (Speaker) (17/08/2016-18/05/2017)	483,342	-
Cllr NP Mpanza ( Speaker)(19/05/2017-30/06/2017)	74,565	-
Cllr ZD Cele(MPAC Chair) (17/08/2016-31/01/2017)	151,221	-
Cllr R R Brijraj (MPAC Chair) (01/02/2017-30/06/2017)	135,625	-
Cllr BC Mngadi (Executive Committee Member )	456,511	-
Cllr EV Baptie ( Executive Committee Member )	455,297	-
Other Councillors	7,808,439	-
	<b>10,828,699</b>	<b>-</b>
<b>In-kind benefits</b>		
The Executive Mayor, Deputy Mayor, Speaker and Mayoral Committee Members are full-time.Executive Mayor , Deputy Mayor and Speaker each is provided with an office and secretarial support at the cost of the Council.		
The Mayor , the Deputy Mayor and Speaker each have the use of separate Council owned vehicles for official duties.		
The Mayor has one (1) full-time bodyguard and one (1) full time driver . The Deputy Mayor and Speaker have full-time drivers.		
<b>27. Contributions to Provisions</b>		
Contribution to Provisions	7,310,288	6,925,413

# uMdoni Municipality

Annual Financial Statements for the year ended June 30, 2017

## Notes to the Annual Financial Statements

	2017 R	2016 R
<b>27. Contributions to Provisions (continued)</b>		
<b>Contribution to Provisions and Accruals</b>		
Retirement and long service benefits	3,320,465	789,387
Contribution to accrued leave	1,362,092	1,678,313
Contribution to landfill site	2,627,731	4,457,713
	<b>7,310,288</b>	<b>6,925,413</b>
<b>28. Depreciation and amortisation</b>		
Property, plant and equipment	36,170,887	30,451,989
<b>29. Finance costs</b>		
Interest paid (Leases)	479,131	505,465
<b>30. Debt impairment</b>		
Contributions to debt impairment provision	892,799	1,925,155
<b>31. Contracted services</b>		
Refuse Site	7,947,644	2,706,524
Verge maintainance	4,905,384	5,068,298
Cleaning	1,799,317	1,723,320
Security	5,455,061	3,588,678
Other Contractors	5,986,479	5,001,796
	<b>26,093,885</b>	<b>18,088,616</b>

Other Contracted services is consisting of Fixed asset register ,Armed Banking, Lifeguard services,Meshing fees,Computer support, Geo Reality Support and Maintenance of Streetlights.

# uMdoni Municipality

Annual Financial Statements for the year ended June 30, 2017

## Notes to the Annual Financial Statements

	2017 R	2016 R
<b>32. General expenses</b>		
Audit Committee	167,268	66,049
Advertising	810,179	435,042
Alternate Electricity	2,610,275	2,388,781
Grants and Donations	412,920	354,385
Auditors remuneration	2,044,349	1,298,567
Bank charges	440,591	384,240
Electricity	2,125,017	1,527,908
Demarcation grant expenditure	6,356,692	235,056
SETA	819,907	346,741
Statement Printing	870,860	436,058
Commission paid	187,365	107,757
Indigent Refuse	266,974	349,396
Conferences and seminars	188,210	104,270
Consulting and professional fees	5,082,040	4,466,714
Consumables	890,436	654,677
Bursaries	193,480	143,183
Tourism Contribution	441,000	420,000
IDP Budget Roadshows	770,388	347,558
Electricity	3,978,048	3,526,361
Grant expenditure	2,725,813	1,708,646
Ward committees	1,785,750	70,617
Internal auditors	1,925,540	127,410
Fuel and oil	5,353,719	3,263,890
Intergrated electrification programme expense	7,211,344	-
Ugu South Coast Development Agency	500,000	-
IT expenses	838,433	182,998
Insurance	695,205	677,246
Internal meetings and workshops	71,144	12,454
Magazines, books and periodicals	15,571	37,208
Medical expenses	129,102	28,371
Motor vehicle expenses	883,508	374,461
Other expenses	1,183,984	4,103,581
Scottburgh Predict Plan	198,750	-
Councillor Inaugural	222,449	-
Postage and courier	121,816	107,414
Printing and stationery	687,886	551,613
Special Tree Felling	187,100	248,200
Disciplinary Hearings	315,659	108,760
Protective clothing	1,112,328	835,859
Refuse	622,904	537,495
Royalties and license fees	913,556	824,049
Verification of Qualifications	100,383	4,050
Reservists	478,300	260,400
Sewerage and waste disposal	238,086	273,186
Software expenses	991,600	684,179
Special Projects	3,425,626	2,334,358
Strategic lanning Umsekeli Loan	250,129	223,149
Subscriptions and membership fees	2,232	11,451
Telephone and fax	1,317,818	1,065,250
Portable Ablution	249,245	154,493
Training	-	40,902
Travel and Subsistance	500,643	240,737
Uniforms	300,038	266,217
Water	1,862,345	2,116,563
Workmens Compensation	1,651,183	759,000
	<b>67,725,188</b>	<b>39,826,950</b>

# uMdoni Municipality

Annual Financial Statements for the year ended June 30, 2017

## Notes to the Annual Financial Statements

	2017 R	2016 R
<b>32. General expenses (continued)</b>		
The line items listed below are made u of the following items		
<u>Special Projects</u> - Councillor Capacity Programmes, Training Internships, Training Fire, Emergency Relief, Sports and Recreation, HIV and AIDS, Women, Elderly Citizens, Children, Youth Development and Projects.		
Grant Expenditure - FMG Grant Expenditure,, PMU Expenditure, EPWP Expenditure		
<b>Other Expenses</b> - Fraud Prevention, Lost Books, TV Licenses, Debt Recovery Initiatives, Computer Stationery, Demolition, Burial System License Fees, Employee Assistance Programme, Customer Satisfaction Survey, Communication Strategy Implementation, GIS License, SPLUMA, Cleansing Material, Rental of Gas Cylinder, Trafman License, Overgrown Properties, Environmental Rehab and Conservation, Fire Extinguisher, Vehicle Registration, Toilet Hire, Signage, Relocation of beneficiaries, IDP, uMdoni Business Chamber, Co-orp Development, Veterinary Services.		
<b>33. Loss on disposal of assets and liabilities</b>		
Property, plant and equipment	(1,325,643)	(295,996)
<b>34. Auditors' remuneration</b>		
Audit Fees	2,044,349	1,298,567
<b>35. Commitments</b>		
<b>Authorised capital expenditure</b>		
<b>Already contracted but not provided for:</b>		
• Property ,Plant and Equipment	46,705,147	15,266,894
<b>Not yet contracted for and authorised by the Accounting officer:</b>		
• Property ,Plant and Equipment	-	46,824,996
<b>Total capital commitments</b>		
Already contracted for but not provided for	46,705,147	15,266,894
Not yet contracted for and authorised by accounting officer	-	46,824,996
	<b>46,705,147</b>	<b>62,091,890</b>
<b>Authorised operational expenditure</b>		
<b>Already contracted for but not provided for</b>		
• Operating expenditure	6,607,381	-
<b>Total operational commitments</b>		
Already contracted for but not provided for	6,607,381	-
<b>Total commitments</b>		
<b>Total commitments</b>		
Authorised capital expenditure	46,705,147	62,091,890
Authorised operational expenditure	6,607,381	-
	<b>53,312,528</b>	<b>62,091,890</b>

This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

## uMdoni Municipality

Annual Financial Statements for the year ended June 30, 2017

### Notes to the Annual Financial Statements

	2017 R	2016 R
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#### 36. Contingencies

##### Contingencies

Total Contingencies	26,403,893	3,605,875
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Breach of contract - Construction renovations to Umzinto Sportsfield where terminated contractor was claiming payment for service rendered amounting to 2017 : R 2 189 053.00 2016: R 2 189 053.00.

Claim for unsubstantiated invoices were identified where there were order numbers however were unable to pay 2017 : R 309 000. 2016: R 309 000.

Payment of arrear interest on project matter was heard in October 2014 and Judgement reserved until November 2014 2016:R 826 537

Payment claimed for use of security company without following the SCM process . Matter has been removed from the roll 2017: R 36 285 2016: R 36 285.

Matters arising from the erstwhile Vulamehlo Municipality not resolved to date: 2017 R 4 147 641.00 ; 2016 R Nil

Employee Related Disputes	R 228 255.00
Outstanding Payments to Creditors	R1 822 078.00

SARS VAT Audit Outcome currently underway there is a provisional estimation of penalties amounting to 2017: R 5 347 901.00 and an input adjustment amount of R 3 250 593.00

Personal injury Claims and damages to property against the Municipality for injuries and damages sustained by infrastructure of the Municipality:2017: R 3 626 528; 2016 R Nil

Legal Letters received by the Municipality relating to none payment of invoices. Matters not finalised at year end. 2017 R 2 791 288 ,82 ; 2016 R Nil

Valuation dispute on SANRAL properties initiated via section 78 of the MPRA matter with Cogta estimated adjustment to Property Rates 2017: R9 481 000.00.

Dispute with suppliers in relation to payments of retention amounting to 2017: R 403 883.33.

Order provided by the Municipality for services of water and sanitation at the Isonti Housing Project: ayment outstanding from Ugu District Municipality 2017: R 3 419 263.45.

The municipality has commenced employee job evaluations as prescribed in terms of the salary wage collective agreement between SALGA , IMATU and SAMWU - 27 July 2012 . As a result the municipality is unable to measure , with sufficient reliability , the amount of such obligation for both the 30 June 2017 and 30 June 2016 year ends .

#### Housing Development Fund

The Housing Development Fund contain all proceeds from housing developments ,which include rental income and sales of houses . Monies standing to the credit of the Housing Development Fund are used only to finance housing developments within the municipal area.

##### Housing Development Fund is represented by the following assets and liabilities :

Housing Fixed Assets	9,185,253	9,569,344
Housing Rental Receivables	934,714	1,811,853
Investment - Surplus/(Defecit)	135,150	(1,577,508)
Bank and Cash	424,351	425,492
	<b>10,679,468</b>	<b>10,229,181</b>

# uMdoni Municipality

Annual Financial Statements for the year ended June 30, 2017

## Notes to the Annual Financial Statements

	2017 R	2016 R
<b>37. Related parties</b>		
Relationships		
Municipality and individuals as well as their close family members, and /or entities are related parties if one party has the ability, directly, indirectly to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.		
<b>Related party transactions</b>		
<b>Transactions with key management personnel</b>		
Councillors	9,750,216	6,474,699
Municipal Manager and Section 57 personnel	5,201,858	4,655,038
<b>Transactions with related parties other than key management personnel</b>		
(a) Umdoni Municipality a sponsoring municipality to Ugu - South Coast Tourism	441,000	420,000

### Relationships between municipality and related parties

(a) Umdoni municipal manager is a director to Ugu - South Coast Tourism (pty) Ltd, therefore Ugu-South Coast Tourism is a related party to Umdoni municipality.

(b) Key Management and Councillors have direct or indirect significant control over municipality and they receive remuneration from the municipality. In terms of GRAP 20:35.

(c) The municipality did not trade with services providers that are in the employment with the municipality nor blacklisted by Treasury.

In terms of GRAP 20 para 35 remuneration paid by Umdoni municipality to councillors and Municipal Manager and section 57 personnel respectively is a related party transaction.

### 38. Risk management

#### Financial risk management

The Municipality has reviewed and assessed the following main categories of risk as being immaterial

#### Market Risk

Market Risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the municipality's income or the value of its holdings in Financial Instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

- Foreign currency risk

The municipality's activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest rate market.

# uMdoni Municipality

Annual Financial Statements for the year ended June 30, 2017

## Notes to the Annual Financial Statements

Figures in Rand

### 38. Risk management (continued)

#### Liquidity risk

Liquidity Risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

Liquidity Risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

The municipality ensures that it has sufficient cash on demand or access to facilities to meet expected operational expenses through the use of cash flow forecasts.

#### Credit risk

Credit Risk is the risk of financial loss to the municipality if a customer or counterparty to a Financial Instrument fails to meet its contractual obligations and arises principally from the municipality's receivables from customers and investment securities.

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

Investments/Bank, Cash and Cash Equivalents -The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with major institutions. No investments with a tenure exceeding twelve months are made.

Trade and Other Receivables -Trade and Other Receivables are amounts owed by consumers and are presented net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates, water and electricity services rendered to them.

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

#### Market risk

##### Interest rate risk

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

#### Financial Instruments disclosure

In accordance with Grap 104 the Financial Assets of the municipality are classified as follows:

Financial Assets	Classification
<b>Current investments</b>	
30 day deposits	Financial Assets at amortised cost

# uMdoni Municipality

Annual Financial Statements for the year ended June 30, 2017

## Notes to the Annual Financial Statements

Figures in Rand

### 38. Risk management (continued)

Trade receivables from exchange transactions & non-exchange transactions.

Consumer debtors	Financial Assets at amortised cost
Other debtors	Financial Assets at amortised cost
Bank, Cash and Cash Equivalents	
Bank Balances	Financial Assets at amortised cost
Cash on hand	At fair Value

### SUMMARY OF FINANCIAL ASSETS

#### Financial Assets at Amortised Cost :

	2017 R	2016 R
Trade receivables from consumers	44 226 972	32 859 770
Trade receivables from other debtors	5 147 168	5 125 493
Bank Balances	205 722 007	123 676 106

#### Financial Assets at Fair Value:

Cash on hand	5250	5250
<b>TOTAL FINANCIAL ASSET</b>	<b>255 101 397</b>	<b>161 666 619</b>

### FINANCIAL LIABILITIES:

In accordance with GRAP 104 the Financial Liabilities of the municipality are classified as follows :

#### Financial Liabilities

#### Classification

#### Long-term Liabilities

Annuity Loans	Financial liabilities at amortised cost
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#### Creditors

Trade creditors	Financial liabilities at amortised cost
Payments received in advance	Financial liabilities at amortised cost
Deposits - other	Financial liabilities at amortised cost
Staff leave	Financial liabilities at amortised cost
Other creditors	Financial liabilities at amortised cost

#### Current Portion of Long-term Liabilities

Annuity Loans
Financial liabilities at amortised cost

### SUMMARY OF FINANCIAL LIABILITIES

#### Financial Liabilities at Amortised Cost:

2017 R	2016 R
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# uMdoni Municipality

Annual Financial Statements for the year ended June 30, 2017

## Notes to the Annual Financial Statements

Figures in Rand

### 38. Risk management (continued)

Long-term Liabilities	Annuity Loans		
Long-term Liabilities	Finance Lease Liability	2 589 060	3 703 817
Deposits	Sundry Deposits	2 810 414	1 702 913
Creditors	Trade creditors	7 098 861	2 643 924
Creditors	Payments received in advance	5 020 235	4 991 106
Creditors	Staff leave	7 985 302	6 623 209
Creditors	Other creditors	51 072 955	30 773 070
Current Portion of Long-term Liabilities	Finance Lease Liability	1 656 748	1 266 407
Current Portion of Long-term Liabilities	Annuity Loans		
Total Financial Liabilities		<b>78 233 575</b>	<b>51 704 446</b>

The municipality reviews its foreign currency exposure, including commitments on an ongoing basis. The municipality expects its foreign exchange contracts to hedge foreign exchange exposure.

### 39. Events after the reporting date

#### Adjusting Events

Management have not identified any matter or circumstance since the end of the financial year, that will impact on the fair presentation of the annual financial statements.

#### Non Adjusting Events

Management have not identified any matter or circumstance since the end of the financial year, that will impact on the fair presentation of the annual financial statements

### 40. Unauthorised expenditure

The municipality did not incur any unauthorised expenditure during the year.

### 41. Fruitless and wasteful expenditure

Opening Balance	-	134,459
Written Off by Council	-	(134,459)
Amount incurred during the year	15,318	-
	<b>15,318</b>	<b>-</b>

Fruitless and Wasteful expenditure for the 2016/2017 financial year relates to interest on overdue accounts.

### 42. Irregular expenditure

Opening balance	2,750,284	22,663,123
Add: Irregular Expenditure - prior year inherited from Erst while Vulamehlo Municipality	103,425,303	-
Less: Amounts irregular expenditure for the year	-	(22,663,123)
Add : Amounts not recoverable (not condoned)	48,058,859	2,750,284
	<b>154,234,446</b>	<b>2,750,284</b>

### 43. Budget

#### Budget Comparatives

# uMdoni Municipality

Annual Financial Statements for the year ended June 30, 2017

## Notes to the Annual Financial Statements

Figures in Rand

### 43. Budget (continued)

The budget is prepared on an accrual basis by nature classification. No adjustments were made to figures disclosed in the statement of financial performance in order to compare it to budgeted figures. The budget is prepared for the same period as the Annual Financial Statements (01 July 2016 - 30 June 2017)

### 44. Cash generated from operations

Surplus	255,022,646	41,001,629
<b>Adjustments for:</b>		
Depreciation and amortisation	36,170,887	30,451,989
Gain on sale of assets and liabilities	1,325,643	1,126,947
Impairment deficit	28,694	1,248,964
Debt impairment	892,799	1,925,155
Movements in operating lease assets and accruals	(14,645)	44,925
Movements in retirement benefit assets and liabilities	662,625	(537,122)
Movements in provisions	7,310,288	4,457,713
Interest income	(12,149,774)	(7,220,470)
Bad debt written off	3,473,924	3,462,631
Donation	(208,927)	(225,062)
Changes in accumulated surplus	(450,287)	(759,000)
Interest Paid	479,131	505,465
Other movement	-	(1,748)
Movement in Leave Accrual	1,362,093	381,509
<b>Changes in working capital:</b>		
Receivables from exchange transactions	(20,675)	(4,646)
Consumer debtors	(11,260,001)	(5,529,536)
Payables from exchange transactions	16,958,671	16,944,426
VAT	(6,325,147)	(3,720,193)
Unspent conditional grants and receipts	20,698,518	(11,253,428)
	<b>313,956,463</b>	<b>72,300,148</b>

### 45. Additional disclosure in terms of Municipal Finance Management Act

#### Contributions to organised local government (SALGA)

Current year subscription / fee	750,825	669,910
Amount paid - current year	(750,825)	(669,910)
	-	-

#### Unemployment Insurance Fund & Skills Levy

Current year subscription / fee	1,250,521	1,012,080
Amount paid - current year	(1,250,521)	(1,012,080)
	-	-

#### Audit fees

Current year subscription / fee	2,044,349	1,298,567
Amount paid - current year	(2,044,349)	(1,298,567)
	-	-

# uMdoni Municipality

Annual Financial Statements for the year ended June 30, 2017

## Notes to the Annual Financial Statements

Figures in Rand

### 45. Additional disclosure in terms of Municipal Finance Management Act (continued)

#### PENSION & MEDICAL AID DEDUCTIONS

Amount paid - current year	11,871,718	9,460,619
Amount paid - previous years	(11,871,718)	(9,460,619)
	<u>-</u>	<u>-</u>

#### Bargaining Council : Levies and Staff Insurance

Current year subscription / fee	37,725	34,452
Amount paid - current year	(37,725)	(34,452)
	<u>-</u>	<u>-</u>

#### VAT

VAT receivable	<u>10,694,940</u>	<u>4,369,793</u>
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VAT output payables and VAT input receivables are shown in note .

All VAT returns have been submitted by the due date throughout the year.

#### Councillors' arrear consumer accounts

There were no Councillors had arrear accounts outstanding for more than 90 days at June 30, 2017:

#### Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved by the Municipal Manager and noted by Council. The expenses incurred as listed hereunder have been approved .

#### An emergency

Expenditure of 2017: R 1 363 715.62 (2016: R 50 514.00) has been incurred in accordance with Section 36 of the SCM Regulations in respect of an emergency.

#### Goods and services procured or available from a single provider only

Expenditure of 2017: R 873 674.23 (2016: R 156 548.22) has been incurred in accordance with Section 36 of the SCM Regulations in respect of goods and services or available from a single provider only.

#### Acquisition of special works of art or historical object where specifications are difficult to compile

Expenditure of 2017: R 524 085.56 (2016: R 899 770.26) has been incurred in accordance with Section 36 of the SCM Regulations in respect of acquisition of special works of art or historical object where specifications are difficult to compile.

#### Exceptional case where it is impractical or impossible to follow the official procurement processes

Expenditure of 2017: R 3 773 027.17 ( 2016: R 477 315) has been incurred in accordance to Section 36 of the Regulations in respect of exceptional case where it is impractical or impossible to follow the official procurement processes.

### 46. Impairment of assets

#### Impairments

Property, plant and equipment	<u>28,694</u>	<u>1,248,964</u>
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# uMdoni Municipality

Annual Financial Statements for the year ended June 30, 2017

## Notes to the Annual Financial Statements

Figures in Rand

### 47. Transfer of functions between Vulamehlo and Umdoni municipality not under common control - GRAP 106

As a result of the re-demarcation of boundaries in terms of section 21 of the Local Government: Municipal Demarcation Act, No 27 of 1998, Vulamehlo municipality ceases to exist and certain wards that fall under Vulamehlo municipality have been re-demarcated to fall under Umdoni municipality; the KwaZulu Natal Department of Cooperative Governance and Traditional Affairs, in terms of section 14(5) of the Local Government: Municipal Structure Act, 1998 published Notice No 19 of 2016, according to which Vulamehlo municipality is to allocate 65% of its assets, liabilities, reserves and employees.

#### 65% of assets, liabilities and reserves for Vulamehlo municipality financial position as at 10 August 2016

	-	-	-	-
	-	Aug 2016	-	-
	-	R	-	-
	-	-	-	-
	-	Carrying Amount	Movement	Fair Value
<b>ASSETS</b>	-	-	-	-
<b>Current assets</b>	<b>34,040,367.00</b>	-	-	<b>34,040,367.00</b>
Cash and cash equivalents	19,739,675.00	-	-	19,739,675.00
Trade and other receivables fr	2,829,632.00	-	-	2,829,632.00
Trade and other receivables fr	2,203,526.00	-	-	2,203,526.00
Value Added Tax receivable	9,267,534.00	-	-	9,267,534.00
	-	-	-	-
<b>Non-current assets</b>	<b>107,473,419.00</b>	-	-	<b>160,445,189.00</b>
Non-current receivables from	-	-	-	-
Property, plant and equipment	107,130,576.00	50,641,647.00	-	157,772,223.00
Intangible assets	157,843.00	1,107,064.00	-	1,264,907.00
Investment property	185,000.00	1,223,059.00	-	1,408,059.00
	-	-	-	-
<b>Total assets</b>	<b>141,513,786.00</b>	-	-	<b>194,485,556.00</b>
	-	-	-	-
<b>LIABILITIES</b>	-	-	-	-
<b>Current liabilities</b>	<b>17,956,971.00</b>	-	-	<b>17,956,971.00</b>
Trade and other payables from	10,639,477.00	-	-	10,639,477.00
Consumer deposits	294,097.00	-	-	294,097.00
Value Added Tax payable	-	-	-	-
Current provisions	1,804,044.00	-	-	1,804,044.00
Current portion of unspent cor	4,985,530.00	-	-	4,985,530.00
Current portion of finance leas	233,823.00	-	-	233,823.00
	-	-	-	-
<b>Non-current liabilities</b>	<b>883,908.00</b>	-	-	<b>883,908.00</b>
Non-current finance lease liab	488,677.00	-	-	488,677.00
Provision for future long servic	395,231.00	-	-	395,231.00
	-	-	-	-
<b>Total liabilities</b>	<b>18,840,879.00</b>	-	-	<b>18,840,879.00</b>
	-	-	-	-
<b>Net assets</b>	<b>122,672,907.00</b>	-	-	<b>175,644,677.00</b>
	-	-	-	-
<b>NET ASSETS</b>	-	-	-	-
Revaluation Reserve	216,035.00	-	-	216,035.00
Accumulated surplus	122,456,873.00	52,971,770.00	-	175,428,643.00
	-	-	-	-
<b>Total net assets</b>	<b>122,672,908.00</b>	-	-	<b>175,644,678.00</b>

### 48. Prior period errors

The entries below detail the adjustments effected to the AFS in respect of the prior period. All corrections were carried out independently using the opening balances.

Provision for Doubtful Debts

# uMdoni Municipality

Annual Financial Statements for the year ended June 30, 2017

## Notes to the Annual Financial Statements

Figures in Rand

### 48. Prior period errors (continued)

During the 2016-2016 financial year the Municipality changed its method of calculation for the provision of doubtful debts. The change in method has the following effect: The prior period was adjusted retrospectively

Provision for Impairment	2016
Note 4: Provision for doubtful debts has decreased by	R 3,473,924-00
Surplus for the year has been restated and increased by	R 3,473,924-00

### 49. Change in estimate

#### Property, plant and equipment

The remaining useful lives of 15,056 (Infra 5,954 and movables 9,102) assets were reviewed based on the condition assessment carried out during the physical verification. As a result of the review, the remaining useful lives of 10,188 (Infra 2,131 and movables 8,057) assets were adjusted in accordance with the "Local Government Capital Asset Management Guideline" as issued by National Treasury.

Effect of change in estimate on current period	R
Depreciation expense – old basis	35 746 508.04
Depreciation expense – new basis	35 255 582.11
Decrease in depreciation	490 925.93

### 50. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

### 51. Actual operating expenditure versus budgeted operating expenditure

**48.1 Personnel:** Delays in the Recruitment processes.

**48.2 Remuneration of Councillors:** Backpay due to upper limits determination and increase in the re-imbursement travelling and subsistence claims

**48.3 Administration:** Cost cutting measures were implemented

**48.4 Depreciation and amortisation:** Vulamehlo take on: includes Intangible assets and Investment property

**48.5 Impairment loss/reversal of impairment:** Re-assessment was done and resulted in the minimal impairment required.

**48.6 Finance Costs:** Savings on re-payment of leases

**48.7 Lease rentals on operation lease:** Most lease agreements (photocopiers) came to an end

**48.8 Repairs & Maintenance:** Unforeseen repairs on gravel roads

**48.9 Contracted Services:** Implementation of cost cutting measures on the use of contracted services

**48.10 Grants and Subsidies:** Unspent Grants liability

**48.11 Property Rates Penalties :** Additional penalties charged on age debtors